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## WINTER MESSAGE OF THE SCIENTIFIC DIRECTOR

### Distinguished Readers and Friends,

The current and the next year until the 2019 European elections will be crucial for the future of our continent. Existential policy challenges are facing us: on the future orientation of Europe, on how to cope with the burning question of pressure from the mass migration which is outbreaks the violence, on how to strengthen EU defence policy, on how to further develop our single market, on how to manage an orderly Brexit, on how to further improve the governance of the EMU, and on how to digitalise our economy and put a modern industrial policy in place, etc. All these questions affect the entrepreneurship and SMEs. The European business community supports **President Tusk** on the renewal of his mandate as President of the European Council. How to negotiate with the new US President **Donald Trump** is a question mark. Whether to continue negotiation for development of the **TTIP** – Transatlantic Trade and Investment Partnership or stop it, it is a question of the future. Some small countries would be happy to stop the negotiation because they – and especially the SMEs - might further lose their independence.

**The main objectives of the Malta EU Presidency** are to push for the swift implementation of measures that the EU has already been agreed upon, and to ensure that the issue remains at the top of the political agenda. The European citizens are demanding action and we cannot afford to have a complacent EU that does not treat this subject with the urgency and importance it deserves. The Schengen Agreement takes the aim the stop the unwanted illegal entries to the EU. The illegal entries from the 2015 influx of migrations that came from Greece through Macedonia and Serbia to Croatia heading for Slovenia, Austria, and Hungary as Schengen member countries has grew many questions about the sustainability of the area. Italy is totally impotent against the refugees from Africa streaming from the sea. The CEE countries believe that the so called “fair distribution of migrants” - in first step the relocation of 160,000 people in need - is an EU nightmare. For CEE remains only one possibility to build fences at their border to safeguard the Schengen Agreement. Many leading press started to recognize that what Hungary does is appropriate.

While CEE countries are straggling with their economic problems like the poverty, high-level of unemployment, environmental issues, today these countries are facing and other problems, this is the unfair food quality from the Western multinationals. Central European countries want big food companies and supermarkets to stop selling sub-par versions of popular brands such as Coca-Cola, Sprite, Iglo fish sticks, Nestlé, Knorr instant soup in their countries. I have personal experience in this field and these problems exist. Czech Agriculture Minister Marian Jurečka recently said people were tired of being “Europe’s garbage can” while Hungarian Prime Minister Viktor Orbán’s chief of staff called the double standards on quality “the biggest scandal of the recent past”, summarized *Euronews*.

The main objectives of the Malta Presidency are (i) fully exploitation of the Single Market, (ii) developing the Digital Single Market, and (iii) complete the Internal Energy Market. Europe has to bring tangible benefits to its economies, its businesses and to the families by removing barriers to trade, and improving protection and access to services for consumers. Ensuring a sharper focus in EU legislation in addressing the challenges faced by SMEs such as by enabling the development of a wider range of funding sources through action on the Capital Markets Union.

Europe is approaching to celebrate the 60<sup>th</sup> anniversary of the Europe in March 2017. In connection with this the old EU countries distinguishing the new EU countries and are speaking about the two speed Europe. While the new EU countries joined the EU, their integration started in asymmetric way. Today upbraiding us for delay in integration is impudent issue. Many countries are not intended to participate in all steps of the integration. We do not want to build a United European Union. The V4-countries and other Easter-European ones intend to keep their national heritage and internal decision making like healthcare, education and migration policy.

In the future ERENET intend to continue its role in bringing together lecturers, researcher and entrepreneurs from all Europe and also from other continent. This could create a good forum for exchange of views and experiences in SMEs, entrepreneurship and social issues.

Dr. Antal Szabó, Scientific Director of ERENET

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**TREES WITHOUT ROOTS DO NOT GROW****Current practices of corporate social responsibility in the CIS****ABSTRACT**

The paper present the history of starting the Corporate Social Responsibility in Ukraine. The author pointed out the mistake of different authorities in developing the theory of quality management in the country. The role of the UN Global Compact is highlighted and is presented how the CSR started to be implemented in the CIS.

The author presented the best practices of successful organizations in the form of fundamental concepts of business excellence. He drew attention to the initiative of Ukrainian Association of Quality (UAQ) assisting hundreds of Ukrainian companies improved based on the Concepts of Excellence and EFQM Excellence Model.

**Keywords:**

corporate social responsibility, UN Global Compact, EFQM Excellence Model, quality, Ukrainian Association of Quality

**JEL code: D02, L26, M14**

**Motto:** The road to hell is paved with good intentions

(Biblical wisdom)

**FOREWORD**

Do not think that I'm against principles of CSR (corporate social responsibility), stated in the UN Global Compact. I agree by two hands! And not just "agree", but long before the UN GC I initiated the CSR process in Ukraine and about two decades I make every practical efforts to improve Ukrainian enterprises. I'm not against those CSR propagandistic campaigns themselves, which are held in the CIS in recent years. There is similar process in Ukraine, e.g. the TV show "High Life with Katya Osadcha" that demonstrates quirks of rich "elite" in poor Ukraine, which obscure to its ordinary citizens. However at least they not claimed that this is the way in which the country has to be developed. It's just a public demonstration of a fragment of life in Ukraine, as it is.

But when public CSR's promotional events in our countries are held in its current form under the aegis of authoritative NGOs and is claimed that it is the way in which we all have to grow, increasing our social responsibility, I can not understand or accept it. Here the CSR is seen mainly as special social events, separated from the core business of companies and in isolation from problems of their business improvement. Experience proposed by some advanced companies is virtually inaccessible for reproduction by most business. Spreading of humane ideas of social responsibility should be conducted sensible and socially responsible, deeply understand the essence of the CSR processes and their place among the other related processes. And do not offer to "transplant trees, separated from roots" in organization of our countries.

**PARALLEL WORLDS**

Our countries need to stop to imitate. A very striking example of imitation in the former Soviet Union, from which we all came out, is a directive large-scale introduction of IPQMS (integrated product

quality management system on the base of enterprise's standards) in organizations that operate under the total deficit. And even though the action was held in good faith, we know what the result was.

It is appropriate here to recall a popular expression "The road to hell is paved with good intentions". As stated in Wikipedia, the meaning of the phrase is that individuals may do bad things even though they intend the results to be good (by shortsightedness, negligence, failure, etc.). In modern Russian language there is an analogous phrase of *V. Chernomyrdin* "We meant to do better, but it came out as always".

And we're losing a lot, when through misunderstanding or vanity we try to solve the same, very similar or closely intertwined problems not in interconnected, but in isolated way, often artificially "splitting them apart" and generating our own "parallel worlds" for running experiments. It is known that at the turn of and as a result of integration there is a positive synergistic result.

With the existence of "Parallel Worlds" I faced in the mid-eighties of the last century. It was connected with development of quality management systems. In 1976, at the invitation of Academician *V. Glushkov*, I moved from the Standardization system to the Institute of Cybernetics of Academy of Sciences of Ukraine. In the Institute of Cybernetics I have been engaged in development of a template Automated Control System "Quality". For a long time I could not realized why my colleagues at the institute can not understood each other when discussing about quality management. Finally, I understood that the work on the quality management systems was conducted isolated by two separated agencies in the "Parallel Worlds". The State Committee for Standardization built **construction** of quality management system using standards of the enterprise (organizational regulations). The Institute of Cybernetics, specialized in automatic control systems, developed quality management **technologies**. However, none of approaches alone has reached acceptable effectiveness. Only their unification allowed reaching new effects that have been marked by international awards. Later several times I had met with a similar phenomenon, which has adversely impacted on the development of our countries.

It is significant that in the late 1980's of the last century, Japanese companies have not created new documents to demonstrate compliance of management systems (in regard to their quality orientation) with just implemented standards ISO 9000. Necessary requirements already contained within their overall management systems (MS) and it was enough to show it to auditors. Unlike enterprises of the former USSR, the best world companies originally developed own unified management system and use it to ensure the achievement of the entire set of goals, including those that focuses on satisfaction of **all interested parties**. But we still continue to create local target management systems according to the ISO in isolation from the real management system operating in the organization through "Parallel World" built for this purpose.

Following the UN Global Compact the CIS countries began to copy and to apply available CSR experience gained by developed countries. But for all that, not understanding that it was just the top of iceberg in developed countries, or, in other words, the ripe fruit on the tree, where organization's business excellence served as roots. Missing this fact, in our countries they try to engraft the segregated local part of the CSR in isolation from business excellence, again in their own "Parallel World."

## **ONLY THOSE CAN HELP, WHO DON'T NEED HELP**

Words of *Michelle Tereshchenko* - famous Ukrainian sugar magnates and philanthropists – are in the subtitle. In our case, this expression means that imperfect organizations unable fully satisfy interested parties. Only excellent organizations can do it! And experience proves that the CSR world leaders are excellent and successful companies.

Study conducted by American scientists and described in the book "Built to Last" allowed to debunk a number of myths about successful companies, including the fact that they are focused primarily on a profit. It was found that the most successful companies in the world were originally committed to **social values** that are considered to be priorities of profit. At the same time, they experienced significant improvement in the value of their common stock, operating income, return on sales and asset growth. A common feature of these companies was the fact that each of them guided by a single "vision" - the belief assignment contained in the

answer to the question: "What the company exist?". Much more important how much the company - from CEO to office-cleaner - is permeated by this feeling of "destiny" and what can be sacrificed for it (profit, customers, products). The key difference of successful organizations is a focus on creation of the right organization. These companies are more adept at responding to changing markets and equipping employees with the opportunity and necessary skills to execute corporate strategies. Amid economic and organizational changes they have created an edge over their peer companies by leveraging the resources and opportunities they have at all levels, not just at the top-management level. These companies are committed to continuous improvement and innovation, even in areas of strength, and are enlisting the creativity of their employees to help stay competitive.

Developed countries have higher level of business excellence of great bulk of organizations that for a long time are focused in their professional activity on the ongoing **satisfaction of all interested parties**. Such mature organizations have developed "root system" (i.e. management system) to provide for their financial stability and CSR and ability to support the charity in the natural way. UN Global Compact does not require any significant additional activity. They achieved this not by order from above, and recognizing the need to meet the stakeholders to maintain and develop their business and continuously improving their professional activities.

And, in fairness, it should be noted that virtually worldwide successful companies were socially responsible long before the UN Global Compact has been initiated. It was achieved not by order from above, but by awareness the need of satisfaction of interested parties to maintain and develop their business and continuously improving their professional activities. In my opinion, by their efforts preconditions for the UN Global Compact initiation have been created and became prototypes for this. And, as we can see below, the "perfect company" and "socially responsible company" are, in fact, synonyms.

## **IMPROVEMENT OF COMPANIES AND NURTURING OF THE CSR IN DEVELOPED COUNTRIES**

Over the last decade a lot of studies of successful companies have been made over the world. According to these studies scientists have presented generalized best practices of successful organizations in the form of **fundamental concepts of business excellence**. Business excellence is understood as "an organization's ability to set and achieve goals on **stakeholders' satisfaction**". In Europe such concepts are formulated by the EFQM, a leading international organization in the field of excellence: Achieving Balanced Results; Adding Value for Customers; Leading with Vision, Inspiration and Integrity; Managing by Processes; Succeeding through People; Nurturing Creativity and Innovation; Building Partnerships; Taking Responsibility for a Sustainable Future.

For practical use of fundamental concepts the **models of excellence** (models of ideal organization) are used. One of the most popular is the European model (the EFQM Excellence Model), which is currently used by more than 30 thousand companies around the world. This model can be used to gain an holistic view of any organization regardless of size, sector, industry or maturity. It helps the company's management in strategy forming, people engaging in processes of improvement, creating an unique culture where sustainable excellence is the norm.

EFQM Model fully describes any organization through the 9 criteria: Leadership; Strategy; People; Partnership and resources; Processes, products and services; Customer results; People results; Society results; Key results. These criteria are divided into 32 sub-criteria. Comparison of specific organization with a model allows defining its strengths and weaknesses (areas for improvement). Obtaining and analysis of the best international and national practice (in the area for improvement) enables organizations to develop targeted innovative socially-oriented improvement program for a certain period. After completing the program the follow-up assessment is carried out, i.e. compared with the model. And again, weaknesses - knowledge – program. As follows from the concepts and models, through improvement the organizations increase the level of their social responsibility to all interested parties: people, customers and society.

For the model-based assessment of companies a **scale of 0 - 1000-points** is used. Within the framework of the scale the EFQM has introduced the levels of excellence scheme, which allowed both to

recognise those companies that have achieved the level of the best in Europe, and those who have not reached this level yet, however, have shown good results.

In the world for over two decades along with concepts and models of excellence the processes for improvement of local target management systems based on **international standards** are developed: ISO 9000 (quality), ISO 14000 (environment), ISO 22000 (food safety), OHSAS 18000 (occupational safety ), etc. However, as the European Commission noted, despite the importance of these standards it should be realized that for businesses they can provide only the first steps towards total competitiveness based on the concepts of excellence.

Realization of concepts and the EFQM Excellence Model ensures observance of the UN Global Compact principles. In turn, the EFQM Model provides evaluation and demonstration of the CSR's level in organization. At the same time, unlike traditional social reports, the assessment on the EFQM Model demonstrates both the CSR-supporting management system and processes, and that helps to understand the essence of what is happening, and also allows you to program the further development and deepening of the socially responsible attitude to interested parties. Financial results achieved by the organization are presented here also. Social reports in their actual form can serve as illustrative material, attached, at wish, to results of organization's assessment on the EFQM Model.

Summarizing, we can say that the 10 principles of UN GC are, in fact, "objectives" (or top frame), and the EFQM concepts and Model are tools (below frame) for growing excellent organizations distinguished by highly socially responsible attitude to all interested parties.

## CSR PRACTICES IN THE CIS

Promotion of the CSR in the CIS runs by other way. I remember the first Ukrainian public CSR event - a conference held by PR-League in 2005. Charity in its purest form was the conference leitmotif. My report on the theme of business excellence, as the main factor of social responsibility promotion, has been set aside - it was beyond the audience's understanding.

Eight years have elapsed. Naturally, that participation in global events held under the UN auspices and speeches of leading foreign CSR specialists have left their mark. Attitude to the CSR in our countries began to change gradually. Already many people realize that the CSR it's not just charity. There were various social events such as: Green Office, fight against corruption, waste disposal, etc. Even some aspects of organizations' professional activity have been touched upon, for example, brochure on social responsibility in the "supply chain". Certainly, this is progress.

However, for the CIS countries with their gap with the developed countries it is impermissible to see things clear so slow. I give you just a few figures. Gross domestic income (GDI) per capita (in U.S. dollars): Moldova – 2 thousand; Ukraine – 3 thousand; Belarus – 6 thousand; Kazakhstan – 8 thousand; Russia – 10 thousand. At the same time: Latvia, Poland, Czech Republic – up to 20 thousand; France, Germany, Austria – up to 50 thousand; Switzerland, Luxembourg – up to 80 thousand; Norway – 84 thousand. Productivity of the CIS companies in comparison with the world leaders is up to 10 times lower, and defectiveness - up to 1000 times higher; their cost price is higher. In regard to their business excellence (according to the 0-1000 point scale adopted in the world), they are at the level of 150-250 points in comparison with developed countries, which are at the level of 300-450 points. At the same time some of market leaders of the CIS countries have already reached 550-650 points, and the best of them have reached 700! points (the best in Europe - 750-800 points).

Before the promotion of CSR has been organized in the CIS countries it would be necessary to understand what the CSR is. Are enterprises in our countries ready to meet the UN GC principles? What is needed to deploy the mass movement to the direction of improvement of business circles' responsible attitude to interested parties?

It was necessary to take into account that in the CIS countries, which over 70 years have been formed in the system of total deficit, and where the output is the main indicator for rewards and punishments, only “quantity-oriented” management systems were created. “Quality” had an abstract character because of lack of motivation. As a result, the transition to “quality-focused” management systems was very complex for the CIS countries and often was turned to the imitation. Inadequate understanding of and attitude to management systems, in particular to the quality management, has led to the fact that organizations of the CIS countries are significantly inferior to companies of developed countries in regard to business excellence.

As a result of the inadequate imagination of the completeness and CSR processes in Ukraine and other CIS countries, issues of CSR and sustainable development are considered, as a rule, in isolation from business excellence. It is despite the fact that they are all links in the same chain, where the fundamental is still a business excellence. Looking “at the root”, you could see that the charity and similar corporate activity conducted out of the professional business of the company, is extremely important, but it is only a small part in the formation of CSR and sustainable development. Daily professional activity, as well as continuous improvement directed on satisfaction of interested parties (customers, staff and society) is fundamental to foster socially responsible organizations.

At the same time, when promoting CSR in Ukraine and other CIS countries the emphasis is still on the special social actions, holding back the satisfaction of interested parties in the result of professional activities. But for all that an experience of a very small number of large companies (often foreign) with advanced management systems, able to demonstrate their social projects is highlighted. Great attention is paid to social reports, under which, unfortunately, is difficult to determine whether a company is really a social responsible to all interested parties. After all, it is possible well describe socially oriented projects and, thus, does not satisfy all parties: to have valid customers’ claims, dissatisfied staff or to hide income and avoid paying taxes to the state budget, etc.

Promotion of CSR in its present form, demonstration of CSR examples that unsuitable for reproduction by majority of companies from the CIS countries, can lead to irreversible negative consequences: inadequate understanding of and attitude to the CSR by the society; violent perception by authority, especially at the local level; exacerbation of opposition between business, society and government, etc. As currently there are cases when regional leaders gathered top-managers of companies located in their territories, and “firmly” offered them to build a road or refine territory, arguing that the need to strengthen the CSR. And most important, that low level of business excellence of most organizations can be kept for a long time, with all the ensuring consequences.

## **MOVEMENT FOR BUSINESS EXCELLENCE – THE MAIN CONDITION FOR THE EFFECTIVE CSR PROMOTION**

We could see that the promotion of CSR in developed countries and the CIS is “two very different things”. The CIS companies (with few exceptions) should pay serious attention to improvement of their core business and management system.

It can be concluded that governments’ attention on the need to create a suitable environment for socially responsible business should become the main feature in the application of the UN GC in the CIS countries. First of all, motivational mechanisms and conditions for continuous improvement of business circles with the world best socially-oriented practice to be implemented. **“The perfect company, the comfortable situation in the state”** – such formula should be used in the country.

However, despite the difficult economic situation, positive experience of best practice of organization improvement has been accumulated in Ukraine for the past two decades. At the initiative of Ukrainian Association of Quality (UAQ) hundreds domestic companies are being improved based on the Concepts of Excellence and EFQM Excellence Model. The best experience of successful management, which UAQ



“spied” in Europe 17 years ago and after “inculcated” in Ukraine, has allowed many Ukrainian organizations significantly improve its business levels, level of social responsibility. More than 40 Ukrainian companies got the EFQM certificates “Recognised for Excellence in Europe”, 22 companies became winners of the CEEC Quality Award, 8 of them are prize winners of the CEEC Quality Award. For the first time in the CIS two Ukrainian companies became finalists of the most prestigious competition in the continent - European Quality Award (since 2006 – EFQM Excellence Award). They have achieved 550-600 points. 14 years ago these organizations have established a Club of Quality Leaders of Ukraine, which became a driving force for Ukrainian industry and economy on the way to the future, and demonstrates examples of socially responsible attitude to interested parties.

Achievements of domestic enterprises that have managed to reach a level of 550-600 points are of great value for Ukraine. And the companies themselves are excellent role models understandable for compatriots. The experience accumulated in Ukraine, knowledge, authority, experts, enterprises-leaders and proven technologies allow deploying mass movement for excellence and quality.

There is a need to hold hearings at the parliamentary level on the competitiveness of the economy through a system of continuous improvement of organizations (with presence of those who are recognized at European level). And adopt the Law of Ukraine "About the basis of support and development of movement for business excellence and quality" and a national program on this issue.

The following actions also can support the development of movement for business excellence and quality: adding obligations regarding enterprises' improvement support to laws about the central and local government bodies; training of the country's top management on issues of quality and business excellence; re-training and certification of teachers on management disciplines and their recognition at the international (European) level. To raise the credibility and strengthen the base of professional NGOs, which are aimed on development of movement for excellence and quality in Ukraine, as well as involvement of the youth in this movement.

Everything must be done in order the excellence and quality, which are the foundation for competitiveness and social responsibility have become a **national idea**. This idea is universal for all ethnic groups, political parties and movements, religious and political system. And it can become the basis for the joining up and quality being of the whole country and its people. It is a question of philosophy, goals of the society development. On the other hand, quality and business excellence are powerful tools and practical science to assess and direct the potential of organization to the right side, to help it grow and become socially responsible.

## INSTEAD OF EPILOGUE

Trees, detached from the roots, stop growing and do not bear fruits. Indeed, they can be used for the fireplace - they burn well and someone can be warmed ... But that's another story.

Do not think that I'm against the CSR principles. I agree by two hands! That's why I couldn't help writing this article.



Pansies © by Dr. Antal Szabó



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**DEMONITIZATION OF INDIAN CURRENCY  
SHORT TERM SHOCKS AND DIGITIZATION CHALLENGES****ABSTRACT:**

The Government of India announced the sudden withdrawal of high value currency notes in circulation on 8<sup>th</sup> November 2016. The effect of demonetization was multiple- both positive as well as negative-most of it yet not fully evaluated. Was India prepared with sufficient ICT infrastructure to ensure connectivity, and digital literacy for embracing a less cash scenario? The liquidity crunch has impacted the economy. The hardest hit by the move was informal enterprises, which comprises a 90+ percent of the total enterprise population. This article looks into the immediate and short term responses to the move by enterprises, particularly MSMEs and informal sector entrepreneurs; attempts MSMEs and to tackle demonetization as a challenge and their efforts to tide over the crisis and the role that associations and chambers are taking in helping them tide over the crisis.

**Keywords:** SMEs; currency demonetization; ICT adoption; informal sector businesses

**JEL classification:** M21,O30, O31, E50, E58

**Editorial Remark:**

47% of people in your country don't have bank accounts. For reference: that's the largest unbanked population in the world. So 95 percent of business is conducted in cash, and 90% of vendors are unequipped to process any other method of payment. Cash is the sole method of payment for 85%.

Kylee McIntyre  
TECHINASIA, 8.02.2017

The Government of India announced the sudden withdrawal of high value currency notes in circulation on 8<sup>th</sup> November 2016. With this sudden and unexpected announcement by the PM himself, rather than the monetary authority of the country, the Reserve Bank of India (RBI), 86 percent of the currency notes in circulation became redundant. (Modi, 2016) The effect of demonetization was multiple-both positive as well as negative-most of it yet not fully evaluated. Comprehensive data also is not really available for drawing definite conclusions about the actual impact of this major economic move.

Responses and reactions are mixed, particularly with respect to MSMEs, informal sectors and startup segments. Although the short term impact has already been felt on small companies and entrepreneurs, the real question is how they will recuperate, innovate and adapt, in a highly technology driven market scenario.

This article is an attempt to look into the immediate and short term responses to the move by enterprises, particularly MSMEs and informal sector entrepreneurs; to understand their attempts to tackle demonetization as a challenge and their efforts to tide over the crisis and the role that associations and chambers are taking in helping them tide over the crisis.

In the initial days, the disappearance of the most used high value currency notes created tremendous hardship for the people. Banks and ATMs witnessed serpentine queues and it became increasingly difficult for people to withdraw their hard earned money. After the initial hiccups, however, people settled down and started shifting to mobile wallets, cards and online payment options, especially in urban areas. It is interesting

to look at some of the responses to the move. Former Prime Minister *Mannoban Singh* called it an ‘organised loot and legalised plunder’ and said in the parliament that the GDP might decline by two percentage points. (Singh, 2016) *Amartya Sen* termed demonetization as a gigantic mistake both in terms of its objective of dealing with corruption as well as the objective of one rapid jump into a cashless economy. (Sen, 2017)

However, the skillful management of public perception proved successful on all counts, and credit for this goes to the Prime Minister himself. The address by the Prime Minister scripted the agenda for the political discourse for several months to come. The tremendous victory that the Bharatiya Janata Party (BJP) could achieve in the state assembly elections in the month of February- March 2017 is being viewed by many as an evidence of support for the demonetization move. (Live Mint, 2017)

Prime Minister *Narendra Modi* could convincingly establish that the demonetization was to fight corruption, fake currency and black money. Another issue that he raised was the issue of funding of terrorism, doing away with fake currency rackets that support terrorist activities. Uttar Pradesh victory, where the state assembly elections held, prove that people accepted the fake currency- terrorism link and other arguments thrown at them. During the immediate post demonetization days, BJP leaders made special attempts to impress upon the masses that they were, infact, fighting terror networks, corruption and black money while they stood in long queues in front of banks and ATMs. The Prime Minister said: “This has been going on for years. Many times, those using fake five hundred and thousand rupee notes have been caught and many such notes have been seized.” (Modi, 2016)

The liquidity crunch has impacted the economy. The hardest hit by the move was indeed the informal enterprises, which comprises a 90+ percent of the total enterprise population, whose contribution stands close to 58 percent to the GDP according to some estimates. The un-organized/informal sector workers comprise about 86% of work force in the Indian economy and informal employment both in the organised and unorganised sector as 92%. (Goyal, 2017; NCEUS, 2008) As per Economic Census (sixth economic census), 58.5 million establishments were operating in the country as of 2014. (Sixth EC, 2014) Most of these small business units are family and private individual sole business proprietorship firms. And majority are ‘own account enterprises’ (OAE). These are owned by people belonging to Scheduled Castes, Scheduled Tribes or Other Backward Classes. (CAIT, 2016)

However, the question that has been raised by many was on the impact of demonetization on informal economy and informal businesses. What would be its impact on MSMEs, agriculture and agro based rural enterprises? Would it eliminate black money or eradicate entrepreneurs operating informally and MSMEs? And on a positive note, in the long run, would it trigger a process of quicker adoption of Information and communications technologies by MSMEs and formalization of informal sector enterprises?

Daily wage workers who work in MSMEs were affected, initially, as the enterprises they work for faced with a challenge of continuing with business operations. Recycling sector which does a business of Rupees thousand crores <sup>1</sup>(INR 10 billion) faced serious issues with this move, said the representative of an industry body, All India Kabadi Mazdoor Mahasangh (AIKMM). Street vendors, hawkers, traders - many of them operate informally, but doing legal activities, have to face the pain. However the challenge for informal sector is move to operate within the formal eco-system.

Exporters who depend on informal sector for their sourcing were affected in the initial days. Trade and commerce in micro & small business segment, particularly those with heavy dependence on cash transactions such as real estate, handicrafts-handloom manufactures from rural side, agro & rural industries were all affected. The list is endless. There was no sector that was literally unaffected. The markets too reacted sharply with traders started selling frantically causing Bombay Stock Exchange’s BSE Sensex crashing by 1.689 points and National Stock Exchange, Nifty falling by over 541, which could reflect business sentiment to a certain extent. On a positive note, with bank deposits swelling, deposit rates have fallen by

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<sup>1</sup> A *crore* denotes ten million and is equals to 100 lakhs in the Indian numbering system. Lakhs is a unit in the Indian numbering system equal to one hundred thousand.

substantial 50-75 basis points across banks and tenures, within 3 months following demonetization. (MERWIN, 2017) While banks retaining a portion of the deposits in the form of current and savings account as well as term deposits could possibly bring down deposit rates, thus benefiting businesses, but low demand for funds is a concern and 'reluctance to lend, has failed to spur loan growth, even after a substantial fall in lending rates' as expected. (MERWIN, 2017)

*Ankit Jain*, a handicraft products exporter operating from Delhi's Saddar Bazar said, "with demonetization business transactions were down by almost 90 percent. And enterprises were finding it difficult to pay wages to their workers, causing their exodus back to their villages from urban centres and industrial hubs. Labour shortage had an impact on meeting deadlines and delivery of export consignments. Demonitization could be seen as a wake up call for small businesses to fast embrace not just digital payment means, but also various digital technologies. Sectors that rely more on cash transactions, such as real estate, gems and jewelry and informal sector should have to transform themselves to operate in a "less-cash" digital economy scenario, as per a S & P report. (CNBC, 2016)

It is expected that a digital payment and settlement system and the required IT infrastructure for it, might be established much faster with this move. Now for the vast majority of enterprises, MSME including informal businesses, which provide livelihood to 90 percent of the labor force in the non-farm sector – have an uphill task of quick digitalization, if not, a large chunk of them may get replaced by organized sector enterprises and MNCs in this current flow. Of the 5.77 crore small business units in India, a majority of them lack the ability to transact by digital means. (CAIT-Alliance for Digital Bharat, 2016)

MNCs, multi-brand retail entities, e-commerce and online shops will fill up the vacuum and replace informal sector and micro & small enterprises if they fail to shift to e-wallet and e-payment options. A transparent digital payment and settlement system has the potential to make life easier for everyone. The economy may now move towards a "less-cash" economy with more digital payment options. But how easy is this for MSMEs and informal businesses? 'Most of them don't have the capacity to reach consumers across India and employ enhanced technological capabilities.'

MSME associations, small business organizations and chambers of commerce and trade are making efforts in educating and training small traders. Confederation of All India Traders (CAIT) has been involved in creating awareness; training and educating about digital platforms, various digital payment options and helping small businessmen adopt digital tools. They have conducted hundreds of training programmes before and after the announcement of demonitization.

Alliance for Digital Bharat (ADB) is yet another initiative by associations and chambers of MSMEs and small businesses. This alliance of small industry and business stake holders and their supporting entities conduct studies, promote awareness and create awareness drives across India, for helping small business entrepreneurs adopt digital payment and technologies. (Alliance for Digital Bharat, 2016) Paytm, free charge, mobikwik and other such digital wallets became an alternative for cash. While digital wallets are yet to be adopted by rural enterprises, many urban based businesses started accepting digital alternatives. As reported by Hindustan Times, 'Paytm's traffic increased by 435%, app downloads grew 200%, and there was 250% rise in overall transactions and transaction value' post demonitization. Similarly there was a considerable shift to ecommerce and online grocery shopping, only when the option of digital payment available. (Sen, 2017)

Government of India launched digital India mission to empower and facilitate transition to knowledge based economy and national digital literacy mission (NDLM) was announced to enhance digital literacy and train people in order to use digital technologies that are relevant for their day to day functioning. (NDLM, 2015) Government has also come up with a new payment app called BHIM, Bharat Interface for money. (PIB, 2017)

Moving on the path to digital economy, the government of India has taken several steps to facilitate a transition to a digital and less cash eco-system. Paving the way for transition to a 'less-cash' economy the union government took various steps for promotion of payments through cards and digital means. (PIB, 2016) Department of economic affairs (DEA), brought out the detail guidelines, as approved by the cabinet, on promotion of payment through cards and digital means. Several short term and medium term

steps were listed in the office memorandum by the DEA. (DEA, 2016) Reserve Bank of India also brought out their vision on digital payment and settlement system. A systematic implementation of the guidelines within the framework of *Vision 2018 Payment and Settlement System*, a document brought out by RBI, would have facilitated a smoother transition to less-cash digital economy and fought corruption and black money generation in an effective manner. (RBI, 2016) Then why this hurry and what prompted the PM to go ahead with this without needed preparedness? Was that political or genuine wish to fight corruption and to push India towards a fast pace adoption of digital technologies at all levels?

Was India prepared with sufficient ICT infrastructure to ensure connectivity for digital transactions at a massive scale and crucial digital literacy for embracing a less cash scenario, at a short notice? Digital literacy, connectivity issues via broadband and wifi and cultural issues prevent a vast majority to rapidly shift to digital options. Many of the entrepreneurs, particularly MSMEs and informal businesses, who are elderly and disabled, would be the hardest hit finding it difficult to survive the digital and less-cash onslaught!

Digital literacy, which is defined as the ability of individuals and communities to understand and use digital technologies in their day to day life, both in running their businesses as well as for any other meaningful actions within life situations, is a long term goal for the country to achieve.<sup>2</sup> A much more needs to be done! Literacy levels of people also should go up. Indian literacy rate is 74.4 percent only and has 287 million non-literate adults, according to a UN report (UNESCO, 2014). Also India is a country with 104 million elderly persons (aged 60 years or above) 53 million females and 51 million males. (MOSPI, 2016) However, the question is: How long will it take for customers and MSMEs from street sellers, millions of neighborhood shops to manufacturing establishments to be enabled for digital economy and adopt relevant ICT technologies for an emerging less cash economy?

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<sup>2</sup> **National Digital Literacy Mission (NDLM)** Scheme has been formulated to impart IT training to 52.5 lakh persons, including Anganwadi and ASHA workers and authorised ration dealers in all the States/Union Territories across the country so that the non-IT literate citizens are trained to become IT literate so as to enable them to actively and effectively participate in the democratic and developmental process and also enhance their livelihood. (<http://www.ndlm.in/>)

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## NATIONAL REPORT ON FAMILY BUSINESSES IN HUNGARY

### Part 1.

#### ANNEX

Family businesses are at the heart of the economy. They produce 50% of the GDP and they are the biggest employers as well. In Hungary, just as in other post-socialist countries, entrepreneurship is allowed since the late '80s of the previous century. There was a huge entrepreneurial boom and the majority of the founders, who were in their 30s and 40s in that time and are now about retiring. Two aspects of the issue should be emphasized here: The first one is the lack previous experiences and traditions of successions, and the second is that the economic and social-institutional environment has been dramatically changed in the last two decades. Successors, therefore, should be able to preserve the founders' values and successful business solutions, and at the same time being able to cope with the new challenges represented by the different development cycles of the Hungarian economy and society. The National Report on Family Businesses in Hungary aims to summarize what we learnt about the 30' years history of family businesses in Hungary and detect the key challenges of succession. The Report is an early output of the INSIST (INtergenerational Succession in SMEs' Transition) Erasmus+ research. Based on the Report, later e.g. case studies, analyses, policy recommendation and educational materials have been made.

#### Keywords:

family business, definition, family business network, Hungarian Association for Responsible Family Enterprises

**Jel Classification: D1, L26, M10**

### 1. INTRODUCTION. FAMILY BUSINESS: DEFINITION

Family businesses are at heart of the economy. Their function is not exclusively restricted to the contribution to economic wealth, but they play a significant role in employment creation and stabilisation as well as in intergenerational knowledge transfer. Despite the growing interest in the issue a widely accepted definition is still missing. There are more than 100 definitions and concepts of family businesses available in the literature, as the name of the phenomenon itself is quite heterogeneous, as well: *family business, family firm, family company, family-owned company, family-controlled company*. When defining the term 'family business' usually three different aspects are taken into account, namely ownership, governance and participation in daily operation. Ownership refers to the assets the family possesses in the company. Governance is related to the fact to what extent the family members are represented in decision making bodies (board of supervision, board of directors, etc.) and exercise control over the company's strategic direction. The third aspect is the involvement of the company members into the day-to-day managerial actions. Family businesses may differ with respect to what combination of the above presented practices they apply in their everyday operation. The complexity of the issue means a serious challenge for both the scientific community and policymakers when

aspiring after making a broad-based concept of family business that captures each aspect of the phenomenon. Instead of providing a taxonomy of heterogeneous attempts made to define family firms, in the following parts of this report we will rely on the definition elaborated by the European Commission that describes family business in the following way: "... most *rights of decision* are reserved for natural person(s) who founded the enterprise, or such natural person(s) who have obtained *ownership* in the enterprise or spouse, parents, children or children's children of the persons already mentioned, the *rights of decision* are direct or indirect, at least one member of family or kinship formally participated in the *operation, stock-exchange-* listed companies can be considered as family businesses in the case when the person who founded the company or purchased it or his family, descendants have ownership over at least 25 % of shares represents right decision." (Csákné Filep 2012:5)

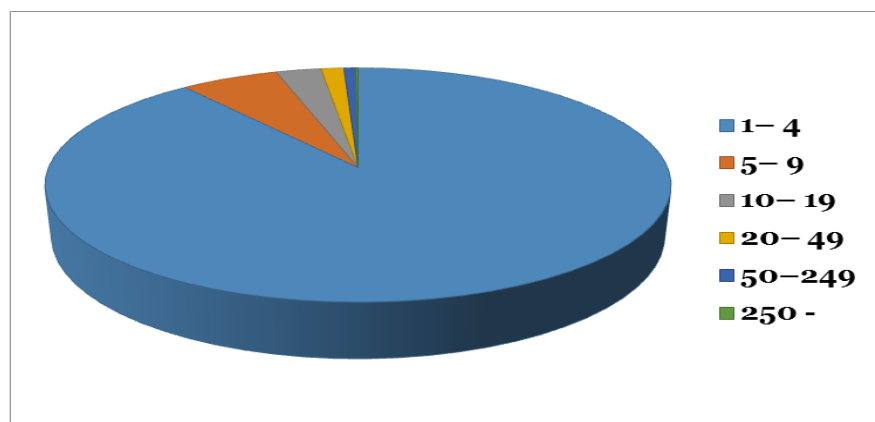
## 2. ROLES AND IMPORTANCE OF THE FAMILY BUSINESS

With respect to the difficulties mentioned about briefly, providing precise statistics about family businesses is far from being unproblematic. According to estimates family firms' contribution to the global GDP varies between 70 and 90%, while more than 30% of the Fortune Global 500 companies belong to this category. (Ellstrodt – Pouillet 2014)

If we want to understand the position of family firms in Hungary, it seems to be worth drawing the broader context with special attention to the characteristics of the post-socialist transition process. An often neglected dimension of the transition is the radical change of the economy's organisational morphology. On the one hand it means that the large, state-owned companies dominated the state-socialist economy have been replaced by micro-, small- and medium-sized enterprises and it is resulted in a rather heterogeneous economic structure, on the other. Martin (2008) referred to the second issue as segmented market economy, where the following four basic types of firms are forming the organisational landscape: state-owned, privatized, foreign-owned and newly established (*de novo*) organisations. Most of family firms fall under the latest category, e.g. they have been founded in the last 25 years and are micro-, small- or medium-sized enterprises.

In Hungary there is no systematic data collection about family businesses, there are, however, different statistical sources available that can provide an overall picture. The distribution of the different size-categories within the Hungarian firms indicates the dominance of micro-sized companies. According to the data of the Hungarian Central Statistical Office (HCSO) in 2012 89.26% (575,476) of the total economic organisations employed 1-4 people, 5.84% (37,765) of them operated with 5-9, 2,67% (17,312) with 10-19, 1,39% (8,690) with 20-49, 0,71% (4,578) with 50-249 and 0,13% (871) with more than 250 employees.

**Figure 1. Distribution of different sized categories of Hungarian enterprises, 2012**



Source: Hungarian Central Statistical Office



Albeit there are some family-owned firms even among the large enterprises employing more than 250 people, most of the family businesses operate in the smaller size categories.

In her report Mandl (2008) provides a comparative overview about the ratio of family businesses in the different European countries. The next table presents her data.

The data presented below should be treated, however, very carefully, since most of them rely on experts' estimations and/or heavily depend on the official classification of family firms (if any) that varies between the various European countries. We must conclude that we only have a very inaccurate picture concerning the prevalence of family businesses in Europe and particularly in Hungary.

**Table 1. Share of family businesses in European countries (in % of total enterprise population)**

Country	Share of FB in %	Country	Share of FB in %
Austria	80	Latvia	30
Belgium	70	Lithuania	38
Cyprus	85-90	Luxemburg	70
Czech Republic	80	Netherland	22
Demark	95	Poland	70-80
Estonia	90	Portugal	70-80
Finland	80-85	Romania	50
France	65	Slovakia	80-95
Germany	95	Slovenia	60-80
Greece	52	Spain	85
Hungary	70	Sweden	54.5
Ireland	75	UK	65
Italy	65-81		

*Source: Mandl 2008:40-46*

### 3. INSTITUTIONAL SETTING OF FAMILY BUSINESS

Most important actors shaping the institutional environment of family businesses in Hungary are those associations that have been established with the clear aim to provide support to family firms along with the representation of their specific interests. One of the most important organisations in the field is Hungarian Association for Responsible Family Enterprises (FBN-H, **Felelős Családi Vállalkozásokért Magyarországon Egyesület**) that has been founded in 2010. The aim of the organisation is to help the establishment and operation of family enterprises in order to preserve the material and immaterial assets accumulated by family businesses and to support the effective utilization of the Hungarian direct investments. The Association provides professional, training and innovation services and facilitates the cooperation of knowledge share between the family firms. Acting as a partner in the *Family Business Network* it also supports the transferring of the international best practices in the area, especially focusing on ownership transfer issues. The Association runs the Family Enterprise Academy that launches a program to coach managers, developers, lawyers and family therapists.

The other important actor is the **National Association of Family Enterprises (Családi Vállalkozások Országos Egyesülete) (founded in 2013)** that also aims at supporting family businesses and representing their interests. Among others their primary goals are the following:

- creating more family business-friendly taxation environment, e.g. applying the same rules as in case of long-term investments
- to be able to deduct the next generations' training costs

- to convince decision-makers to prefer family business in public procurements
- to define family business as an independent legal category.

A recent initiative of the Association was the establishment of the **Mentor Chain Foundation** with the aim to build up a mentor network that supports both new entrepreneurs in starting their business and family firms in ownership transfer by knowledge transfer from the side of most experienced association members.

A third initiative has to be mentioned here, as well. The first one is the Seed Foundation which is a state-owned non-profit body that aims to develop business culture in Hungary, the knowledge of entrepreneurs and to increase the competitiveness of SMEs, operating since 1990. It has various target groups:

- family businesses,
- female entrepreneurs,
- those who are planning to establish business,
- and micro enterprises with growing potential.

#### **4. INTERNATIONALIZATION OF FAMILY BUSINESSES**

As mentioned before, most of Hungarian family businesses are micro or small firms and serve mainly local needs as such. There are, however, some family-owned firms that are present on the global markets. Without being exhaustive, some examples are listed here:

- Kompozitor Kft.: the company developed new chimney lining material and technology, along with corrosion resistant industrial composite chimneys.
- Zwack Unicum Zrt.: Internationally well-known fine herb liqueur producer.
- Kürt Kft.: Data insurance and data recovery technologies.
- iData Kft.: The firms develops and sells GPS tracking systems and related services.

#### **5. IMPORTANCE OF THE SUCCESSION AND THE NATIONAL CONTEXT**

As presented earlier, the organisational landscape of the Hungarian economy is rather heterogeneous. Most of family firms – with few exceptions, like *Zwack Unicum* for instance –, have been founded after the collapse of the state socialism. Vast majority of the founders were in their 40s and are now about retiring. The most important challenge now is the ownership transfer of the companies in a radically changed environment. In the last two and a half decades the Hungarian economy went through different development cycles. After a short and intensive crisis in the early 1990s a growing period started. The economic growth was based on the mass privatization and a leading role of foreign direct investments (FDI) and multinational companies that were resulted in knowledge spill over and vital economic environment. The reserves of this model exhausted till the early 2000s and a stagnating period started – even before the global financial and economic crises. (Iwasaki et al 2012) Family business owner face, therefore, with a doubled challenge when planning and executing ownership transfer. On the one hand second (or third) generation owners should be able to preserve the founders' values and successful business solutions, while they have to adapt to the radically changed environment and seek for strategies that can create new and sustainable development paths, on the other.

#### **6. SOCIAL PERCEPTION OF FAMILY BUSINESSES AS THE CONTRIBUTORS TO THE NATIONAL WEALTH, AS EMPLOYERS AND COMMUNITY LEADERS**

Gere (1997) found, 70% of family business owners recruited their employees colleagues from their family members. They considered the cohesion, trust, common targets as the most important advantage of family business.

In 2007 Corvinus University conducted a research among business owners who planned retirement. (Csákné Filep 2007) The researchers analysed succession characteristics and focused on two questions: 1. To what extent family and non-family businesses can be distinguished by the preferred succession outcome, the ownership structure and the family members active in business. 2. How family businesses can be classified by the preferred succession outcome, the ownership structure and the family members active in business. In family businesses there are combinations of family members in various business roles and subsystem (husbands-wives, parents-children, extended families, multiple generations playing the roles of stockholders, board members, working partners, advisors, and employees).

Kuczai (2011) discussed the topic *in Family and Enterprise after 1989*. In half of family businesses both husband and wife participated in business. Where the wife was the owner, the role of husbands has not changed much over the years, but where the owner the husband was, the wife gradually lost ground in the company. The asymmetry of the gender can be detected on different level of spouses' participation. 21 percent of the wives are co-owners of the company, while the husbands have 40 percent of the ownership in the wife's companies. Relatives had generally 28% of ownership in the family business in 1996 and their relevance showed that 26% of enterprisers received loan from relatives. Due to the lack of resources the family and relatives got significant role in such a business. In Kuczai's opinion a non-negligible factor of family business success is to what extent solidarity family members have to independent (external) parties.

## 7. EFFECTS OF THE CRISIS ON FAMILY BUSINESS

The global financial and economic crisis started affected negatively the Hungarian firms in general and the family businesses in particular. The Hungarian GDP decreased by 6.8 per cent in 2009, which was accompanied by a dramatic increase of unemployment rate (from 7.8 to 11.2 %). Most of the enterprises experienced turnover decrease, difficulties in accessing financial resources, decrease in investments, delay in payments and most of them reacted with cost and capacity reduction. (Szabó 2009)

**REMARKS: Part 2 of the article will be followed in the next issue.**

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Budapest Orchide Show March 2017  
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## CENTER FOR ENTREPRENEURIAL EDUCATION AND BUSINESS SUPPORT

### ANNOTATION

**The paper presents the Centre for Entrepreneurial Education and Business Support, which is an NGO for promotion of entrepreneurship and entrepreneurial education including vocational training and career counselling. The Moldova Employment and Entrepreneurship Education and Training Activity - MEEETA Project is also presented.**

#### Keywords:

entrepreneurial education centre, CEDA, Moldova Employment and Entrepreneurship education and Training Activity.

#### JEL Classification: A20, L26, L32

The CENTER FOR ENTREPRENEURIAL EDUCATION AND BUSINESS SUPPORT (CEDA) is a non-governmental organization registered at the Ministry of Justice of the Republic of Moldova as a public association in 2013 in conformity with the Law # 837 from 17.05.1996. The main goal of the Center is to promote the entrepreneurship and the entrepreneurial spirit through education, start-up and development of micro and small businesses and implementing programs of entrepreneurial education, vocational orientation and career counselling, as well as providing trainings for teachers in these fields. Doing this, CEDA will contribute to the social and economic development of the country, to poverty eradication.

In more detail, CEDA is focused on the following objectives:

- To foster the development of vocational and entrepreneurial skills, to promote formal and informal entrepreneurial education, in particular, in the VET sector of the Moldovan educational system;
- To provide support and to assist various entrepreneurs at the phases of start-up, extension and acceleration of micro, small, and medium enterprises;
- To promote a positive image of entrepreneurship and entrepreneurial spirit in the society, facilitating the dialogue between business environment and public authorities.

Tending to these objectives, CEDA cooperates closely with the Ministries of Education, Agriculture and Food Industry, Finances, and Economy, as well as with the National Employment Agency. Currently, CEDA's projects benefit from support on behalf of international development partners – Liechtenstein Development Service, and Austrian Development Agency.

CEDA's intervention is concentrated in two projects both of which are in an active phase at the beginning of 2017: the Moldova Employment and Entrepreneurship Education and Training Activity (phase III), and Re-Engineering Vocational Orientation and Career Counseling for Moldovan labor force competitiveness.

The main CEDA's activities are in line with its goal, objectives and two main projects:

- Curriculum development and upgrading, provision of didactic support to its implementation in two subject areas – “The Basics of Entrepreneurship” and “Civic Education – Personal Development and Career Counseling”;

- Provision of in-service training of VET teachers teaching the “Basics of Entrepreneurship” course in VET institutions;
- Development - for teachers and students - of teaching materials related to entrepreneurial education, vocational orientation, career counselling and to initiating income generation activities;
- Participation in and coordination of the business plan contests among last-year VET students at a regional and national levels;
- Organisation of post-VET business start-up trainings for VET graduates having the will and potential for starting a micro-business and carrying on of a small equipment grant program for them;
- Advising VET institutions in planning and launching entrepreneurial activities with students’ participation and capable of generating income;
- Organization of Summer schools in leadership for girls, selection and training of volunteers for these activities.

CEDA’s main **beneficiaries** are the young people from the Republic of Moldova and, first of all, the graduates of VET schools, pupils from secondary education schools, teachers from these institutions and employees from Regional Employment Agencies etc.

**On 23 February 2017, CEDA in collaboration with the Ministry of Education of the Republic of Moldova organized the Workshop on presentation of results of MEEETA III project implementation.**<sup>3</sup> **MEEETA stands for Moldova Employment and Entrepreneurship education and Training Activity. The duration of the MEEETA project** was between March 2014 and February 2017. The project promotes economic empowerment of young people by facilitating the development of their job and income generation skills with special focus on entrepreneurship.

The event took place in the premises of the SUMMIT Events and Conference Centre, with the financial support of the Foundation Liechtenstein Development Service (LED). The Workshop brought together representatives of the key Ministries, National Agency for Employment, Regional Agencies for Employment from Chisinau, Cahul and Soroca, representatives of VET institutions, entrepreneurs, experts, donors, CEDA project team and representatives of mass media.

The participants discussed the results of project MEEETA III implementation. Under this project the discipline “Basics of Entrepreneurship” was included in the curriculum of the vocational and technical education schools, providing opportunities to students of these schools to learn how to create a business, starting from the idea; teachers of this discipline were trained, it was developed and implemented a program of grants for young people and also for them organized regional and national competitions of business plans.

During this event will be presented the *Tracer Study of the professional development of graduates of vocational-technical institutions in Moldova*. Outside experts who reviewed the impact of the project will present the results and proposals on the prospects of entrepreneurship education to young people in Moldova.

According to recent announcement project the **“Moldova Employment and Entrepreneurship Education and Training Activity” (MEEETA phase IV)**, funded by the **International Foundation Liechtenstein Development Service (LED)**, under which CEDA will support the unfolding of subsequent editions of the competition **“Best Business Plan”**.<sup>4</sup>

Under the Regulation on the national contest “Best Business Plan” approved by Ministerial Order no. 1054 as of 10 October 2014, the competition is organized at the institutional level by 25 March 2017. Regional

<sup>3</sup> <http://ceda.md/en/event/atelier-de-lucru-privind-prezentarea-rezultatelor-implementarii-proiectului-meeeta-iii/>

<sup>4</sup> <http://ceda.md/en/event/ceda-va-sustine-desfasurarea-editiilor-urmatoare-a-concursului-cel-mai-bun-plan-de-afaceri/>

Competition will be held in April-May, with the participation of students from all technical vocational educational institutions in the country who were ranked with the I and II level.

To support the young winners of your institution and to encourage them to participate in the regional stage of the competition, please send a copy of the report(minutes) or the order appointing the winners of competitions and the business plans in electronic form by 31 March 31 2017. Information on the exact time and schedule of **regional competitions** will be sent to your address further in the first half of April.

For futher information on CEDA you might contact **Sofia Suleanschi, Executive Director; Tel: +373 60122874; Tel. Secretary: +373 (22) 885 425.** See also <http://www.ceda.md> [www.facebook.com/ceda\\_oficiu@ceda.md](http://www.facebook.com/ceda_oficiu@ceda.md);\_35 Mihai Eminescu street, office 7, Chisinau; MD-2012, Republic of Moldova

### Family Photo of the CEDA team



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## **THE POOR STAY POOR, THE RICH GET RICH THE HUNGER VS. LUXURY STARVING**

### **ABSTRACT**

**The hunger become a new face. Many people are not think about the starving, but this phenomenon is real and dangerous. Who could be the winner in the new “Hunger Games”? Economists are counting in hamburgers, so that point of view invigorates the Fast Food Empire. Maybe the quality fresh food and the know-how will be more important in the future than the technical gadgets.**

### **Keywords:**

hunger games, food inecurity, Big Mac index, foof quality of multinationalfirms

### **JEL Classification: I19; J39**

### **1. BACKGROUND**

Stunned I read an article in August 2014 US issue of National Geographic about hunger and starving in America. In the middle of Europe we can not imagine that this problem is really existing there and also in the European Union. In that time I tried to discuss it with my friends but they found always a new topic when I started mine. Now I have to say; the problem exists but this situation is not black and white.

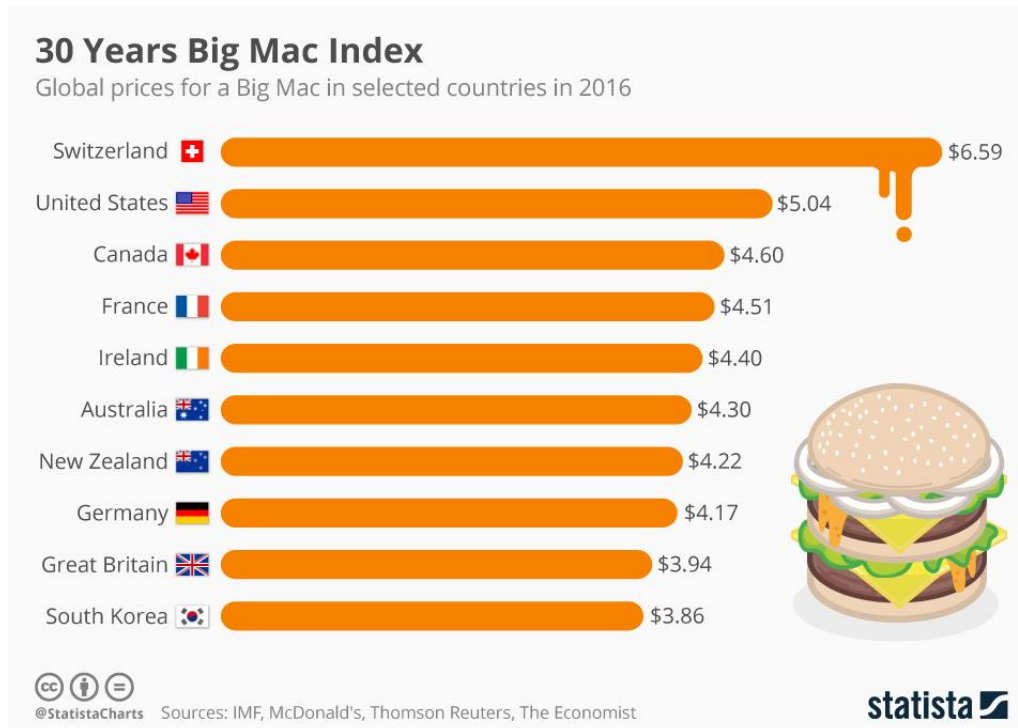
“In the United States more than half of hungry households are white, and two-thirds of those with children have at least one working adult – typically in a full-time job. With this new image comes a new lexicon: In 2006, the US Government replaced “hunger” with the term “food insecure” to describe any household where, sometime during the previous year, people didn’t have enough food to eat. By whatever name, the number of people going hungry has grown dramatically in the US, increasing to 48 million by 2012 – a fivefold jump since the late 1960s, including an increase of 57 percent since the late 1990s. Privately run programs like food pantries and soup kitchens have mushroomed too.” [1.] **That’s what the US Government calls food insecure will induce problems in other countries and also here in Europe, but sometimes the Political Correctness seems to be the easiest and most comfortable way. Everybody knows there might be starving people in Africa, but what about the cold people in Europe? The hunger gets a new face: the quality and luxury starving. The adverts are roaring to our ears: - Thin is Beauty. Fat is a sin. Obesity is a disease. People must eat, children can not evolve healthy without quality foods. Everybody knows that, or not?**

One of an ordinary cup sticky soda (250 ml) contains 28g sugar. [2.] That means if somebody drinks 2l cans per day from these drinks that person takes 280 grams of sugar just from sodas, which corresponds to almost 70 sugar cubes. [3.] In most cases fast food seems to be the best choice in the cities as the workers, the clerks, the managers etc. haven’t got time to cook and they know, time is money. Everybody wants to eat fast and cheap, maybe some part of Europe the McDonalds, the Burger King, the Subway and the Pizza Hut are still the biggest status symbols. Most of the households are not prepared to cook and this is the reason why these people don’t use quality raw materials. To the end of the month they run out from their salary because the fast food and the TV dinners could be expensive. This energy from that junk food can be easily lost, but the fat can not be digested quickly enough, will be maintained for a long time and still grows.

## 2. HOW MANY BURGERS DO YOU GET FOR YOUR SALARY?

The Big Mac index is published annually by The Economist since 1986 [4.] and is rated as a simplified indicator of a country's individual purchasing power. It compares each country's Big Mac prices, based on the purchasing power parity. As many countries have different currencies, the standardized Big Mac prices are calculated by converting the average national Big Mac prices with the latest exchange rate to U.S. dollars.

The Big Mac, the top-selling McDonald's burger, is used for this comparison because it is available in almost every country and manufactured in a standardized size, composition and quality. McDonald's is a worldwide operating fast food restaurant chain with headquarters in Oak Brook, Illinois. In 2013, its global revenue amounted to about USD 28.11 billion. Most McDonald's restaurants are spread across the United States. The index also gave rise to the word "burgernomics". [5.]



Big Mac index - global prices for a Big Mac in July 2016, by country (in USD) [6.]

The statistic depicts the so-called Big Mac index in 2017. The Big Max index is regarded as an indicator for the purchasing power of an economy. The average price for a Big Mac burger in Canada was USD 4.51 in January 2017 while in Hungary it was USD 3.11 only. The table below shows how much is the minimum wage per month (in EUR) in selected countries of European Union in 2016. [7.] And a different point of view: How many Big Macs a man can buy if he works for the minimum wage per hour? [8.]

And a different point of view: How many Big Macs a man can buy if he works for the minimum wage per hour? [8.]

In my opinion these data can be simultaneously interesting and dangerous. In the first place it shows how poor the Eastern block of Europe and the Third World is. In the second place, this counting method in fast food meals strengthens the junk food's legitimacy. This process shows that the people consider fast food restaurants as a privilege as I mentioned before.

**Table: Minimum wage per month vs. Big Macs per hour on minimum wage**

Country	Minimum wage per month in EUR	Big Macs per hour on minimum wage
Bulgaria	184	0.5
Romania	218	0.6
Lithuania	300	0.7
Czech Republic	332	0.7
Hungary	333	0.7
Latvia	360	0.7
Slovakia	380	0.7
Estonia	390	0.7
Croatia	396	0.9
Poland	410	1.1
Portugal	589	1.1
Greece	684	1.1
Malta	720	1.2
Spain	757	1.2
Slovenia	791	1.3
United Kingdom	1,379	2.2
France	1,458	2.4
Ireland	1,462	2.5
Germany	1,473	2.3
Belgium	1,502	2.5
Netherlands	1,502	2.5
Luxembourg	1,923	2.9

Source: EUROSTAT modified by the Author

### 3. DO WE NEED TO LEARN TO COOK?

‘Everyone can cook’ sounds this sentence so often, but we have to admit that it’s not as easy as it seems to be. Average people don’t have time for cooking. In the USA a huge amount of employee commute hundred miles from home to work, in a European capital citizens often travel more than one hour to job, that could be easily even more than three hours back and there. This is the reason why no one feels like cooking at home. The easiest way is to buy some cheap preserved or semi-finished food. The real wages in Hungary are probably not as strong as in the Western European territories, that indicates price tension and different food quality in Eastern Europe. People have to think twice what to buy and where, just a thin ply of the citizens can afford buying almost anything without thinking.

“Multinational food firms are manufacturing poorer quality, unhealthier (but sometimes more expensive) versions of their trademarked brands for the Eastern Europe market, says the Czech Republic, which wants to see EU legislation to protect consumers. It's 'ethically problematic but not illegal', say experts.”[9.] Actually the price could be the first reason not the quality. Sad to say, just from quality commodity can be used for healthy and delicious food. In consumer societies more people choose the cheap or free soup kitchens because they think that balanced diet is not as important as to own the brand new clothes, phones, televisions etc.

### CONCLUSIONS

„During the last 40 years of the 20th century, when the world’s population doubled from 3 to 6 billion, our annual production of grain rose even faster, nearly tripling over the same period. [...] We could feed 9.3 billion by 2050 without destroying more forests. If the world’s 75 million unwanted pregnancies were

prevented, the global population would rise more gradually to 8.4 billion by 2050 and then fall” – according to the Guardian. [10.]

If we always give the finished alternatives for the people in need we can not reach the corresponding effect. The more free food is shared, the more people take advantage. The quality of free food will deteriorate sooner or later. If we keep the price low and the quality high, than people will prefer choosing fresh food rather than fast food. We can generate a lot of commerce to keep prices on a certain level, so we do not have to fear of producing a loss-making deal. Support for producers could help this process.

Wealth will mean the quality of food in the future. In my opinion those who can give health and security to their children by the food, will be the winner, those will be regarded as rich and not those who own technical gadgets.

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<https://play.google.com/store/apps/details?id=com.PHE.SugarSwaps>  
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Paprika garland at the Budapest Market Hall  
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**PREPHASE TO THE KYIV WORKSHOP ON GREEN ECONOMY AND SMEs****ABSTRACT**

**The paper highlights the importance of the green economy in generating growth and improving economic, social and environmental well-being. The UNEP Green Economy Report is an important tool in economic development. The author summarizes the main thoughts and ideas of the papers presented at the BSEC-KAS Workshop supported by ERENET on Green Economy and SMEs held in Kyiv in April 2016.**

**Keywords:** green economy, SMEs, BSEC

**JEL Classification: Q57**

With over 7.4 billion people in the world today, human consumption of natural resources has increased exponentially in recent years to the point where our natural resources are insufficient to keep up with demand. This ever-increasing human consumption, the solid waste produced by the world population as well as the industrial waste from all the goods and services we rely upon in this modern age have engendered ecological scarcity and aggravated the deterioration of our environment. The lack of adequate good quality resources from our ecosystem has negatively affected the economy as well, as industries no longer have sustainable resources on which they can draw. In turn, their production processes become costlier and their goods and services are more expensive for consumer

The importance of the green economy in generating growth, and improving economic, social and environmental well-being along sustainable lines of development is underlined in its goals to reduce ecological scarcities, promote economic growth without further degrading the natural environment, reduce environmental risks for both industries and society, and inculcate the economic value of natural capital as well as ecologically friendly public goods and services in governments the world over. The 2011 UNEP Green Economy Report stresses that a green economy ought to be fair as well as efficient, thereby implying that sustainable development is as much about being resource efficient as it is about social equity. Ecological protection, energy conservation, climate protection, use of renewable energy, and environmentally safe modes of production have the potential to reduce carbon emissions, increase the sources of clean drinking water for the world population, protect the planet that is our home, as well as protect the physical well-being and health of all living creatures.

Developed countries in the West are not the only ones moving towards the green economy and sustainable development, as the Member States of the Organization of the Black Sea Economic Cooperation (BSEC) are putting in the effort to make the same transition. The chapters assembled in this volume on the BSEC and KAS workshop on SMEs and Green Economy underscore the importance of greening our industries and lifestyles in a globalizing economy.

The transition towards the green economy would not be truly effective if all countries are not on the same page regarding its goals. Professor Vyacheslav Potapenko from the Institute of Green Economics in Kyiv stresses this in his opening chapter on the harmonization of EU, UN, OECD and Ukrainian green economic development indicators. Regardless as to the approach taken, it is generally accepted that greening goals are universal because they focus on nature, justice, sustainability and valuing the care for all kinds of life.

The universal nature of the goals of sustainable development and growth, social inclusivity, resource

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<sup>5</sup> Editor remark: Dr. Colin Dürkop after a few year successful managing the KAS Office in Ankara retired in September 2016.

and energy efficiency without adding to the damage already inflicted on our environment have allowed the EU countries to band together for the creation and enactment of holistic eco-innovation efforts, as Dr. Antal Szabó, Scientific Director of the Entrepreneurship Research and Education Network of Central European Universities (ERENET), points out in his chapter on eco-innovation and the Green Action Plan (GAP) for SMEs in the EU. The subsequent national country studies demonstrate their respective country's efforts towards the achievements of these noteworthy goals.

Albania's transition towards the green economy is analyzed by Arbër Demeti, Erjona Rebi (Suljoti) and Arlinda Demeti, who show that SMEs – by dint of their sheer numbers – have as much to contribute to greening efforts as they have to gain from green growth, and should therefore be included any government drive towards sustainable development. Extending on this theme of SMEs' contribution to greening, Lilit Apujanyan highlights the way in which the Armenian government is striving to overcome the challenges of encouraging SMEs to adopt more ecological practices in their businesses through the regulation of their green performance. Azerbaijan's recent economic reforms, as outlined by Farid Amirov, emphasizes the country's commitment in transitioning towards a national economy that is less dependent on the oil sector and more favourable towards the efficient utilization of energy and resources.

Georgi Stoev's study on Bulgarian SMEs and the green economy goes even further by delving into the relationship between energy conservation measures and SMEs as they go green, as well as the state's support of SMEs that develop their businesses along these lines. In Eteri Mamukelashvili's chapter, the role of the Georgian government in fostering SMEs' greening efforts and the importance of meeting ISO environmental management standards are emphasized. Greece's endeavours at going green is explored by Irini Voudouris through a thorough analysis of the different Greek strategies for sustainable development and the green economy, and weighing their impact on SMEs in the green sectors.

While the government in Moldova has prioritized SME development as well as sustainable development and the green economy in order to boost the competitive economic development of the country, Prof. hab. Alexandru Stratan, Dr. Alexandra Novac and Diana Russu's chapter on Moldova illustrate that more has to be done to align state environmental policy with its SME support mechanisms if it is truly to transition towards a green growth model. In evaluating the role and evolution of the SME sector in Romania as part of her study on the green economy and eco-innovation of Romanian SMEs, Zsuzsanna Katalin Szabó looks into the eco-innovation capacity of Romanian SMEs to identify their strengths, achievements and the barriers preventing them from doing more towards sustainable green efforts. Olga Generalova-Kutuzova's chapter on ecological entrepreneurship in Russia details the ways in which environmentally friendly SME operations can meet the state's sustainable development and green economy goals. Although most green SMEs are associated with the recycling and reuse of waste in their activities, Olja Munitlak-Ivanović and Mirjana Radović-Marković call attention to ecotourism as a way in which SMEs can exploit Serbia's predominantly rural landscape so as to contribute to and operate in the green economy in the country. Turkey's energy saving potential as well as the implications of improved energy efficiency for SMEs and the country as it takes on the green economy is discussed by Murat Alper Öztürk.

Volodymyr Semenichin outlines Ukraine's Strategy of Development of Small and Medium-sized Businesses for the period until 2020 to shed light on his country's aspirations in the green economy. The Ukrainian green economy goals are proven to be attainable in the final two chapters on best practices in greening in the country. Inessa Oleynykova details this through a breakdown of the environmentally friendly measures employed by her family's paints and coatings manufacturing business in their production process. Similarly, Petro Kalyta outlines the ways through which ISO standards and excellent quality management systems can facilitate an SME's greening activities, thereby enhancing their competitiveness.

The different BSEC countries' experiences in moving towards green growth and sustainable development have shown that they are conscious of the harmful environmental impact of the market economy system on their societies. They have also exhibited a keen awareness of their need to improve their competencies and capacities, if they are to better enact changes to the mindsets of their people, the SMEs in their countries and their policymakers in their transition towards the green economy and truly sustainable development. Their acknowledgement that more has to be done to integrate green economy principles into their state strategies and their SME management systems will put them in good stead, as they slowly rise to the challenge of moving towards an ecologically sound socioeconomic future.

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## **SMALL AND MEDIUM ENTERPRISES AND GREEN ECONOMY IN SERBIA**

### **ABSTRACT**

In the paper are considered some new possibilities which can support development SMEs in green economy in Serbia. Namely, authors identify the broad range of policy measures required by national government to promote SMEs towards to green economy. Government initiatives that promote capacity development in areas such as cleaner production, eco-efficiency, pollution control and environmental management are very beneficial for the greening of economy in Serbia. It is also suggested that the government need to be innovative and think strategically in developing policies within the green economy principles.

#### **Keywords:**

Green economy, SMEs, entrepreneurship, quality management systems

#### **JEL Classification:O20,M21**

## **1 INTRODUCTION**

In the last decade Serbia has recognised that the SME sector is of key importance for economic development (Radovic-Markovic, 2014). In this context, the macroeconomic framework for the 2012-2016 period is focused upon a radical improvement of the business milieu in Serbia. Despite certain improvements, however, the SME development has not had such a favourable trend nor has it resulted in improving entrepreneurship activities in a desired manner, due to the recession that hit the national economy (beginning with 2008) (Radovic-Markovic,2014a) et.al pp.30-60). Namely, the effects of recession have delayed the work on finding solutions to the major problems in the SME development. Furthermore, no satisfactory results have been achieved in view of development of green business in Serbia. In line with this, the aim of our paper is to discuss and emphasize the importance of natural resources and their value for the Serbian green business and green economic development.

The new concept of economic development and sustainability has emerged in recent years as necessary in the conditions of the economic crisis, when the prevailing model of economic growth failed to meet the increasing demand for consumption of limited resources and also as a result of a limited capacity of the ecosystem. Since this is a genuinely new approach to economic development, it is not surprising that there is not enough literature in this area yet (Radovic-Markovic, 2014. p.2). Consequently, there is no unique and generally accepted definition of green economy nor of the strategy of sustainable growth. Like there is no unique definition of the term sustainable development, there is also no consensus on the definition of the “Green Economy” concept. A generally accepted opinion is that every country defines the significance and role of the “Green Economy” according to their own vision, and every country defines it with the aim of realizing its vision.

The aim of Green Economy is to ensure economic development, employment growth and an increase in earnings, and to take care of the prevention of environmental catastrophes and other externalities. A rapid growth in production and consumption can have negative consequences on our environment, such as: increased noise, pollution of the entire environment, increased consumption of fuels and other inputs in production, but also in consumption, and such.

According to some theoreticians, Green Economy covers the achievements of the sustainable development concept, which were expanded by the desire to improve human well-being, growth of social equality and at the same reducing environmental externalities and catastrophes (Szabo, 2016). Szabo emphasizes the role of European Union in the promotion of the Green Action Plan for SMEs, in complementarity with the Communication Green Employment Initiative.

The role of SME is of great importance. As a proof of accepting the role of SMEs, policy makers declared the year of 2016 as the year of entrepreneurship in Serbia. According to the latest data given by the Serbian Chamber of Commerce, around 320.000 small and medium enterprises and entrepreneurs (Savic, 2016, pp. 19-33) are conducting business in Serbia, which only confirms the great driving force and power of the SME sector in the implementation of Green Economy.

## 2. LITERATURE OVERVIEW

Different schools of thought on sustainability and green economy have emerged (Radovic-Markovic, 2014). According to Radovic-Markovic, many researchers in this area started from common premises, however, they came to strongly disagree as regards the effects of greening the economy upon economic growth. Furthermore, it has been shown that it is necessary that economic research should be linked with the research in the fields of ecology and environmental protection in order to anticipate and mitigate the effects of climate change, soil degradation, greenhouse gas emissions and anything that is a threat to the future and survival of the global population (Golusin, et al. 2012). Natural resources cannot be indefinitely exploited. Especially if we talk about non-renewable resources (Munitlak Ivanovic 2007). Irresponsible and unplanned exploitation of natural resources will result in the collapse of the entire society, which is in absolute oppositeness to the sustainable development and Green Economy. In that sense, the concept of the sustainable development and Green Economy are in harmony and of equal importance.

However, some authors make a distinction, i.e. they point out to similarities but also to differences between the terms sustainable development and Green Economy. According to the authors who support this point of view (Ilić Petković, 2015, pp. 561-563; Pokrajac, 2009, pp. 21-30; Unković, Kordić, 2012, pp.11-21), sustainable development is considered an instrument for the implementation of Green Economy. In that way, all the ecological activities which were taken contribute to a simultaneous acceptance and implementation of the sustainable development in the aim of realizing Green Economy (Unković, Kordić, 2012, pp.11-21). In time when externalities are inflicted on our environment and exploitation of non-renewable natural resources, we cannot speak about sustainable development. Therefore, Green Economy should not only lead our economy in the right ecological direction, but it should also contribute to every form of social equalization (Munitlak Ivanović, O., 2010, pp. 427-439; Popović, S., Munitlak Ivanović, Jovanović, L., 2015, pp. 693-697).

## 3. BASIC FACTS ABOUT SMEs IN THE REPUBLIC OF SERBIA

As we can see from Table 1, an extremely large number of SMEs is conducting business in Serbia, even 99.8%. The largest part of that percentage (around 70.43%) are entrepreneurs, who are with all their assets responsible for the society's commitments, i.e. they are "society entities". The second place according to its number and the number of employees take micro enterprises. <sup>6</sup> However, if we look at other variables: Number of Employments and percent of total Workforce by Grouping, GDP contribution (in millions RSD), Share of the SME sector in the Total Economy (in %), Turnover (in millions RSD), Export (in millions RSD), Net income (in millions RSD), Share in profit of non-financial sector (in%), Profitability rate (in%), numerical data show that large companies, with 205 employees and more, still have the greatest share in the observed variables.

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<sup>6</sup> Micro enterprises cover from 0 to 9 employees. When we say 0 employees, it means micro companies which have no officially employed individuals, but rather workers engaged under a contract of service, volunteers and such.

According to data from January 2016, which came from the Serbian Chamber of Commerce (Čadež, 2016, pp. 14-15), a lack of financial means, trying to increase a share in GDP (from the current 33%), striving to participate in export as much as possible (current share 42%) and making SME activities export-oriented (currently 4.5%) are a great challenge for the SME management, so they pay little attention to the application of the Green Economy concept in their everyday business. And exactly that can be niche market for a faster development of SMEs. Areas which could be interesting for the development of SMEs, and which are at the same time in accordance with the Green Economy principles, are: Rehabilitation large open pit mining-hotspots and preparation sites for development of small businesses, the village and ethno tourism, multifunctional farming, Green enterprise development in service sector, Green business development in rural areas, organic agriculture, more intense application of eco-management, application of the energy efficiency principle, use of biogas in personal purposes, etc.

Tabel 1:

OBSERVING FACTS	MICRO (0-9)	SMALL (10-49)	MEDIUM - SIZED (50-249)	LARGE (250 or more)	Total SME	% SME in total	TOTAL
Number of SMEs by Grouping of Micro, Small and Medium-Sized Enterprises	303,927	9,353	2,132	494	315,412	99.8	
Number of Employments and percent of total Workforce by Grouping	356,384	189,172	222,994	416,394	768,550	64.9	1,184,944
GDP contribution (in millions RSD)	377,823	269,095	317,088	834,643	9640,06	53.6	1798649
Share of the SME sector in the total Economy in %	21.0%	15.0%	17.6%	46.4%	53.6%	53.6	100%
Turnover (in millions RSD)	2,232,361	1,745,887	1,735,609	3,167,978	5,713,857	64.3	8,881,835
Export (in millions RSD)	128,861	143,028	247,187	683,722	519,076	43.2	1,202,798
Net income (in millions RSD)	109,057	115,291	107,809	365,910	332,157	47.6	698,067
Share in profit of non-financial sector %	15.6	16.5	15.4	52.4	34.5	34.5	100
Profitability rate (=net income/GDP*100)	28.9	42.8	34.0	44.8	34.5	/	/
<b>Form of organization</b>							
Companies	81,775	9,353	2,132	/	93,260	/	/
Joint stock company	1,127	420	380	/	1,927	/	/
A limited liability company	63,051	7,985	1,415	/	72,451	/	/
Other	17,597	948	337	/	18,882	/	/

<b>Entrepreneur</b>	222,152	0	0	/	222,152	/	/
<b>TOTAL</b>	303,927	9,353	2,132	/	315,412	/	/
<b>Investments</b>							
<b>Per enterprise</b>	395	7,909	47,978	697,276	874	/	1,978
<b>Per employee</b>	320	203	390	354	354	/	523

Source: Report of the Ministry of Economy on small and medium enterprises and entrepreneurship, for 2013. pp. 76-96 (1 EUR=123.50 RSD according to NBS on 29.02.2016.)

As we can see from Table 1, Micro, Small and Medium-Sized Businesses (Including individual Entrepreneurs) in 2013 present the majority of the economic structure by size, so that there are (2015 SBA Fact Sheet). These are some of the interesting data, which are not stated in Table 1, and which can, to some extent, be the reason for a low degree of the application of the Green Economy principles in SMEs.

- Most of SMEs are situated in Belgrade and Vojvodina (which are the most developed regions in the Republic of Serbia);
- A total of 7,355 companies and 32,853 entrepreneurs were closed in 2012. A number of 8,648 new companies opened and 30,200 entrepreneurs were registered in 2012.
- 36,909 companies and 43,900 entrepreneurs are active loan users;
- 20% of all business loans are NPLs.

**Efforts of SMEs did not result in improving entrepreneurship activities in a desired manner about Green Economy. The recession in the national economy, also caused major problems for the SMEs development, and it slowed down the development of Green Economy in SMEs. Despite certain improvements, the SMEs development does not have satisfactory results considering development of Green business in Serbia.**

#### 4. LEGISLATION ISSUES FOR SMEs RELATING ENVIRONMENTAL MANAGEMENT

Republic of Serbia has 57 Laws and 32 Strategies that are directly or indirectly connected to sustainable development, environment, green economy and green growth. Some of them are: National Sustainable Development Strategy, Action Plan for the implementation of the National Strategy for Sustainable Development, The National Environmental Protection Program, Waste Management Strategy for the period 2010-2019, The strategy of biological diversity of the Republic of Serbia for the period 2011-2018, Mineral Resources Management Strategy of the Republic of Serbia until 2030, Draft of National Strategy for Sustainable Use of Natural Resources, The National Strategy for the inclusion of the Republic of Serbia in the Clean Development Mechanism of the Kyoto Protocol to the sectors of waste management, agriculture and forestry, The strategy of cleaner production in the Republic of Serbia, Development and promotion of corporate social responsibility in the Republic of Serbia for the period from 2010 to 2015, The National Strategy for approximation in the environmental field for the Republic of Serbia. The most important is The Law on Environmental Protection. It deals with the question of companies' (including SMEs) responsibilities in comparison to Environmental protection on five different levels. We are talking about the Articles of Law number 4, 9 (they deal with this question on two places) and 92 (also on two places). The most important principles are: Polluters pay the principle, which means that the manufacturer, i.e. consumer who caused the damage or environmental externalities during the process of production or consumption, is obligated to pay, i.e. compensate for the damage. Nevertheless, the bottom line is that that cost is incorporated in the final product, which makes it more expensive, and through selling price the cost of the damage is paid by consumers themselves.

In May 2009, National Assembly adopted “Green Pack”- 16 laws harmonized with the EU requirements in the field of environmental protection: 1. regulations about an adequate use and storage of hazardous chemicals, 2. waste storage, 3. ways of protection for the environment and 4. human, animals and plants health.

Serbia has 35 negotiating Chapters with the EU, which it has to adjust before it becomes an equal EU member. An interesting, but worrying fact, is that Chapter 27 – Environmental Policy and the Internal Market – will be the hardest to implement because of the necessary financial means. According to the Union of Employers of Serbia, the average age of technological machinery, equipment and tools in the Serbian economy is 27.5 years. It is evident that in that case we cannot speak about green and friendly technologies which are now in use, i.e. in the process of production. The National Strategy for approximation in the field of environment for Serbia, has estimated that it would take 10.6 billion EUR by 2030, so that the Republic of Serbia could implement the Chapter 27. These funds cannot be taken from Serbian budget and new financial sources will have to be found.

## **5. CHARACTERISTICS AND BEHAVIOUR OF SMEs TO MEET ENVIRONMENTAL RELATED REQUIREMENTS**

According to a large number of experts, private sector in Serbia and the method of its financing reveal numerous specificities. Primarily, the sources of financing in this sector are limited to a significant degree. Possible financial sources in the Republic of Serbia are loans granted by commercial banks, leasing companies, factoring, microcredit organizations and capital market corporate bonds, share issuing.

The main concern of small and medium-sized enterprises (SMEs) in Serbia at the moment is financing their survival, and not investing in development, as they mainly worry how to provide salaries to employees and settle obligations to the state. Most new companies are closed within three years from foundation (Grozdanic, Radovic-Markovic, Jevtic, 2015, pp. NEDOSTAJE UPISATI).

In EU member states (EU28), a total of 90% of country's public revenue are taxes. (Munitlak Ivanović, Golušin, Filipović, 2013, p 300), while in Serbia that percent goes from 85 to 90%. As a relatively new tax form, ecological taxes demanded a tax reform, which was first applied in Scandinavian countries. The aim of tax reform is to use fiscal instruments to affect the preservation of the ecological environment, but also to affect the realization of sustainable development and Green Economy goals. The implementation of new (ecological) taxes should be followed by a decrease in rates of other types of taxes, so that the total tax burden would stay relatively unchanged. On the other hand, tax burden should be directed towards economic activities which should be discouraged because they affect the pollution of environment, i.e. those activities should be changed and new technologies should be used (green technologies), raw materials and energy (renewable resources). Ecological taxes can be described as taxes whose basis is a physical unit or process which, as a consequence, has a negative impact on the environment. An important characteristic of these taxes is that revenues which a country collects from SMEs in such a way, are directed towards environmental protection, i.e. towards financing of projects which are related to the activities concerning environmental protection. Ecological taxes are a very significant form of neutralizing negative externalities. However, this fiscal mechanism has not yet been implemented in Serbia.

How big the significance of revenues collected from SMEs in this way in EU28 is tells the fact about the growth of income achieved in this way (Munitlak Ivanović, 2016, pp. 16-17). Analyzed data on the total income from ecological taxes in EU28 for the period from 2004 to 2013 showed that income collected with the use of this fiscal instrument has an increasing trend thus and can be a source of financial means for the implementation of Green Economy in SMEs in Serbia.

During the analysis of time series, an absolute growth and growth tempo for each year were calculated. The pace of growth had positive values in every year, except in 2008 and 2009, in which it had a decrease of 2.2% and 2.7% respectively. These negative values are a direct consequence of the global economic crisis. Calculated average rate of growth of the observed time series is 1.8%, which shows that incomes from ecological taxes recorded an increase during a defined time interval, which clearly shows an extreme importance of this new tax instrument in EU28.



In Serbia SMEs do not pay typical Environmental taxes but they pay 3 kinds of charges (Munitlak Ivanović, Mitić, Raspopović, 2016, pp 375-378):

- Fee for the use of natural resources,
- Fee as compensation for environmental pollution
- Fee for protection and improvement of the environment.

This tax instrument, not paid by SEMs, would ensure significant financial funds necessary for the implementation of the business principle supported by Green Economy.

Generally, Government does not encourage investments in the environment and purchase of environmentally cleaner technologies, so SMEs are not stimulated to act in a manner of Green Economy.

## **6. SHARE OF SMEs IN APPLYING ISO 9001, ISO 14001, 50001 QUALITY MANAGEMENT SYSTEMS**

Most of the standards are specialized for a certain product, material or process. However, ISO 9001 and ISO 14001 are generic standards of systems management. That means that the same standard can be applied to every activity and organization, SMEs (micro, macro or medium enterprise), regardless of the product or service, in any sector and regardless of whether an organization is public or private. ISO 9001 contains a set of generic requests for the implementation of the system for quality management, and ISO 14001 for environmental management.

ISO 9000 and ISO 1400 series are among the most popular standards and they were implemented by more than million organizations in 175 countries from all over the world (<http://www.kvalitet.org.rs/standardi/standardi>). ISO 9001:2008 and ISO 14001:2004 have become widely spread and integrated into the global economy.

ISO 9000 series refers to quality management. That means that SMEs have to (Stevanović at al., 2003, pp. 417-433):

- “meet client requests concerning quality;
- respect legal regulations;
- constantly improve customer satisfaction;
- continuously enhance performances.”

The series of international ISO standards 14000 represent the system of standards which makes SMEs an ensured comprehensive systematic approach to managing influences of their overall activities on environment. This series establishes the requests for environmental protection management in SMEs so to ensure harmonization with their own declared vision, policy and goals for environmental protection, i.e. with the aspiration to realize Green Economy. On the other hand, in that way legal regulations which stimulate implementation of Green Economy are in compliance (Stevanović at al., 2003, pp. 417-433). The basis for the group of standards within ISO 14000 series, are among others the standards for ecological management systems (ISO 14001-1004).

ISO 50001 Energy Management System is one of the latest standards in the field of management systems. It occurred as a response to requests for environmental protection, energy efficiency and sustainable development, thus it is closely connected to the implementation of Green Economy in SMEs because it is compatible with all standards from the area of systems management declared by ISO and can be applied in all SMEs regardless of the size and type of business. By its structure and requests it is very similar to ISO 14001, and it is very often associated with the term energy efficiency (Žikić, Paunković, Jovanović, 2016, pp. 55-56).

ISO 50001 Standard ensures a rational management of energy and lower operating costs. Through the framework of energy management system defined by the ISO 50001 standard, we simultaneously establish a program of energy saving by which we ensure energy efficiency.

Unlike ISO 14001, ISO 50001 specifically demands that SMEs determine indicators to keep up with their score in the field of energy efficiency, much as ISO 9001 demands the establishment of the system for monitoring and measuring the efficiency of the process. ISO 50001 demands that every SME establishes for what purposes they use energy and in what amounts, from which sources they ensure it, as well as to define measurements for reducing the need for energy to a reasonable level. Like ISO 14001, this standard doesn't define what "acceptable level" implies, but it leaves it to the specific SME.

Benefits from the development and implementation of ISO 50001 Energy Management System are (Munitlak Ivanović, Jovanović, Mitić, 2014, pp. 623-628):

- "Reducing energy use,
- Control and reduction of energy costs,
- Reducing negative influence on environment and aspects of Green Economy,
- Preparation for monitoring and reporting about the emission of greenhouse gasses and
- Growth of SMEs' credibility in public about energy awareness and social responsibility."

According to National Association for Sustainable Development - NACOR, 42 Certification organizations exist in Serbia, but all data about the number of Certified ISO standards in SMEs are approximate (<https://www.google.rs/#q=nacor+srbija>).

Table 2 shows the number and type of certified SMEs in Serbia. We can see that the greatest number of SMEs have implemented ISO 14001 (289 SMEs), while ISO 9001 standard has been implemented twice less (110 SMEs). However, if we look at percentages the results are devastating, because a total number of SMEs which implemented any type of ISO standard in Serbia is less than 13% (12.78%), of which 9.16% refers to ISO 14001 and 3.49 percent to ISO 9001. Only 4 enterprises have implemented Standard 5001 (Savić, 2016, pp. 9-13).

**Table 2: Share of SMEs in applying ISO standards: 9001, 14001 and 50001**

ISO standard	The number of SMEs	The percentage
9001	110	3.49%
14001	289	9.16%
50001	4	0.136
<b>Total</b>	<b>403</b>	<b>12.78%</b>

*Source:* Adapted from (Savić, 2016, pp.9-13)

The following indicators about the growth or decline of the ISO standard implementation are interesting. These are official data of the National Association for Sustainable Development (NACOR) (Jovanović, Jovanović, Matavulj, 2016, pp. 58-59):

- „Certification of SMEs related to the Standard ISO 14001 in 2015 increased for 30% compared to 2014.
- Certification of SMEs related to the Standard ISO 9001 in 2015 increased for 12% compared to 2014.
- Standard ISO 50001 was certified for a first time in 2015 in one SME and one large company“

## 7. OBSTACLES FOR SMEs IN RELATION WITH ENVIRONMENTAL ISSUES AND HOW TO OVERCOME THESE OBSTACLES

While studying the level of Green Economy implementation in the SMEs sector in Serbia, several facts, which point out to the low level of its realization in practice, were brought to our attention. Main steps which all countries and SMEs should take are:

- Faster and more accurate processing of Environmental data important for SMEs,
- Adequate trainings and practical guides for implementing Green economy in SMEs, organized for management or employment professional eco-management,
- Government must help SMEs with subventions in implementing ISO standards and purchasing ecologicaly friendly technologies,
- Government should be more interested in organic production, cause it is Serbian comparative advantage,
- Faster implementing Law on Environmental Protection and changing Environmental Legislative according to SMEs needs, etc.

Based on these isolated steps, the authors suggest ways to overcome this situation:

- Implementing ISO standards (9001, 14001 and specially 50001),
- Implementing Eco-management as way of doing business,
- Using solar panels, biogas, saving energy and using any kind of renewable energy,
- Implementing Waste management, specially in field of electronic or IT waste (Electronic-waste),
- Foresting and greening the environment around the companies,
- Constantly train and educate employees about the importance of sustainability and “green thinking“.

As especially critical objectives for environment and Green Economy in SMEs that follow from concept of sustainable development and Green Growth include (Ecimovic, et al., 2014, pp.7-25):

- “Reviving growth;
- Changing the quality of growth;
- Meeting the essential needs for jobs, food, energy, water, and sanitation;
- Ensuring a sustainable level of population;
- Conserving and enhancing the resource base;
- Reorienting technology and managing risk; and
- Merging environment and economics in decision making”.

If we look at the abovementioned facts, we can see that critical points and most of the problems concerning the implementation of Green Economy in SMEs is most definitely a lack of financial funds, directly or indirectly.

Financing in the field of environment and realization of Green Economy in Serbia represents a great challenge for SMEs of all sizes, but also for the local self-government and state. General and traditional interpretation of investing in environment is based on thinking that investing in measures which can improve our environment reduces earnings.

Some new considerations, which support the behavior of SMEs in accordance with Green Economy, show that these facts cannot be kept in the XXI century. Ambec and Lanoie showed that SMEs, which

support environmental protection principles and Green Economy principles, can reduce costs and increase earnings because they have a better access to certain markets, easier product differentiation, they use technologies which control pollution, they reduce ecological risks, have a better relationship with stakeholders, lower costs of input products, lower energy and service costs, and capital and labor costs are lower (Ambec , Lanoie, 2008, pp. 56-64). Even with the existence of different national and international programs, financing of investments in environment still represents a great problem, which occurs not only in SMEs but also in other types of companies.

## 8. GOVERNMENTAL POLICY TO SUPPORT SMEs TOWARD THE GREEN ECONOMY

Bearing in mind that each country has its own visions, challenges, opportunities and priorities for change, resources available for implementation will vary by country. Hence the results achieved will also be different. Namely, starting and running a business vary according to national and geopolitical, to industrial, governmental and cultural factors. These differences may be considered when we explain difficulties, which encounter those who create policies for favoring development of new businesses and entrepreneurial activities.

Serbian Governmental Policy in this area is weak because of economic and political problems, which create a lot of social problems. In such case Governmental Policy is not turn to ecological, but to economic, social and political problems. Serbia is characterised with high level of unemployment. According to data given by the Republican bureau for statistics, in the last quarter of 2015, rate of unemployment was 17.9%, and in the same period the rate of unemployment of working-age population age 15 to 64 was 18.5%. A special social problem which indirectly comes from poverty is a continual decline in natural population growth rate which has been happening for quite some time. An important problem is the unemployment of the young. The latest data of the Republican bureau for statistics shows that in Serbia's labor market 90,000 young people age 20 to 24 and 100,000 people age 25 to 29 are unemployed. In the second quarter of 2015, the unemployment rate in Serbia was 17.9%, and among young people age 15 to 30 that percent was nearly 50% (<http://webrzs.stat.gov.rs/>).

One of the ways to solve this problem would be starting a personal entrepreneurial endeavor, i.e. creating a small or medium enterprise. The State can and has to help in this area, especially if we talk about the activities which can find their own niche markets, exactly by respecting the Green Economy principles.

In such cases, Government should essentially provide special monetary forms of assistance to help new SMEs in (Munitlak Ivanović, O., 2010, pp. 427-439; Popović, S., Munitlak Ivanović, Jovanović, L., 2015, pp. 693-697):

- “agricultural producing of organic products,
- rural tourism,
- use any kind of renewable resources and renewable energy,
- building sanitary landfill,
- recycling waste (specially IT waste),
- introduction of new concept of circular economy (based on usage of waste), etc“.

Examining strategies for starting small-scale enterprises can reveal how such communities can harness the initiative of local entrepreneurs to create businesses that are at the same time environmentally sustainable and economically profitable (Shahidullah and Haque, 2014). From the viewpoint of green growth, all countries include several types of strategies. The Serbian strategy is based on: (1) Knowledge-based sustainability; (2) Socio-economic conditions and perspectives and (3) Environment and natural resources.

According to some researchers (Jovicic, Brankovic, 2014, p. 87), the most relevant are those that directly aim to lead economy along the pathway of green (or sustainable) development, and they are often

entitled as sustainable development strategies. One number of researchers share the same opinion that improving the waste management system is one of the main components of initiating the Green Economy in Serbia (Stosic, Brnjas, 2014, p. 86). The main goal of the *Waste management strategy* is to reduce pollution and degradation of the environment. In that regard, activities envisaged by the strategy are highly relevant for achieving green growth.

However, there are a number of obstacles in implementation of these strategies - the lack of financial funds and inadequate administrative capacity, and also the lack of awareness and insufficient public participation. Moreover, the problem is the fact that some of these activities are not focused in a unique way or are insufficient and request further coordination and cooperation, as well as long-term vision (Piljan, Cogoljevic, 2014, p. 128). Also, sometimes certain activities are overlapping.

## 9. SMEs BEST PRACTICE IN GREEN ECONOMY

When we observe business opportunities in Green Economy we can say that entrepreneurship has the potential to be a catalyst for positive change in both the economic and environmental spheres (Shahidullah, Haque, 2014, pp. 3232-3251). Green Economy includes all businesses which help in preservation of the eco-systems, biodiversity, improving energy efficiency and decreasing of all kind of waste creation and pollutions (Brnjas, Stosic, 2014). Greening the economy refers to “the process of reconfiguring businesses and infrastructure to deliver better returns on natural, human and economic capital investments, while at the same time reducing greenhouse gas emissions, extracting and using less natural resources, creating less waste and reducing social disparities” (Maclean, Akoh, Egede-Nissen, 2011).

Green enterprise development in service sector- SMEs can participate actively in the sectors such as renewable energy production, smart metering, building refurbishment, cleaner cars, wind and solar installations.

### 9.1 The village and rural tourism

Economic development through village and rural tourism is a suitable instrument for using natural resources while contributing to the protection of the environment at the same time. In Serbia, more than 300 households with around 2,500 beds deal with this kind of tourism (Hopic, 2009, p. 9) Serbia is in the initial phase of development concerning rural tourism in village households. This form of tourism is not recognized as a significant tourist product, thus there are no mechanisms for financing entrepreneurial ideas. However, certain private entrepreneurs invest their resources in this form of tourism and take their entrepreneurial steps.

For the development of rural tourism it is necessary to carry out planning and managing, and in this case what was missing was an advisory body which would observe private entrepreneurial ideas and desires and direct them. Namely, a realistic assessment of entrepreneurial possibilities and ideas was missing on one hand and on the other hand what was missing was information on possibilities of the customers who would use these tourist services. However, financially more powerful entrepreneurs and foreign investors quickly reacted to market demand. Investors like these have clearly defined requests concerning conditions they expect before investing: a clear property-legal situation, adequate access roads to main and local traffic arteries, electric, sewage and water network.

Having in mind that nearly 80% of Serbia's territory is a rural area, we can conclude how big the potential of village rural tourism is (Todorović, Bjelajac, 2007, pp. 135-148) i.e. how big financial inflow can be expected if the entrepreneurial idea is carried out with the use of managerial tools. An example of a successful rural tourism concept in Serbia are 25 villages of Rudnik-Takovo area, where 80 village households with 275 rooms and an income of 230,000 EUR in 2014 were registered. We can most definitely define these households as micro enterprises (Živković, 2015, pp. 570-574). This form of tourism represents the application of the Green Economy principles in practice.

### 9.2 Green business development in rural areas

The position of the farmers was the decades-long negative. Only individuals were able to boast good material well-being, but most of them were on the verge of poverty. The low level of literacy and education of the population in rural areas, migration from rural to urban areas in search for better living conditions and a lack of funding resulted in lagging of Serbian farmers compared to those in the European Union. Radovic-Markovic (2010) defined rural entrepreneurship as the creation of entrepreneurial associations, which aims to ensure the improvement of crucial economic, social, and other changes in rural regions through individuals creating innovations and governmental systems devising a rural development policy based on investing in rural entrepreneurship. For new start up businesses there is a great opportunity in flower and decorative plant production. Namely, areas covered with flowers and decorative plants in the last six years have been between 1,000 and 1,360 hectares in Serbia. The ownership structure is dominated by individual producers with around 90% of land, while the public sector has only 10% of such land (Stosic, Brnjas, 2014, p. 90). But demand is much higher than production, which opens space for the creation of new firms and jobs.

The development of rural entrepreneurship in this manner as offered by Radovic-Markovic (2012, pp. 249-247) would bring major benefits, not only to the local community but to the entire society in several of its domains, such as:

- “Improvement the quality of rural areas
- A larger number of entrepreneurs-an increased number of new businesses;
- More competent entrepreneurs-entrepreneurs who have the knowledge and skills needed in their businesses
- Growth and expansion of businesses- businesses boost production and sales, as well as create new jobs that absorb the local labor force;
- Economic benefits for the local community-by way of tax payments.”

### **9.3 A few suggestions to Government on how it should better promote SMEs towards to Green economy**

- **More education of SMEs owners and management about the importance of sustainability and Green Economy**
- **Increase funding for new start up businesses which are based on sustainability and Green Economy**
- **Provide benefits to the purchase and usage of environmentally friendly technologies**
- **Improving the waste management system as one of the main components of initiating the Green Economy and Circular Economy in Serbia**

## **CONCLUSION**

SME's should be largely responsible for the Green growth. From this point of view, all countries include several types of strategies. They cannot be understood without taking into account a close relation between production, technology and management practices of SMEs.

The Serbian strategy for a Green growth economy is based on: (1) Knowledge-based sustainability;(2) Socio-economic conditions and perspectives and (3) Environment and natural resources. Ensuring that SMEs fully participate in the efforts towards green growth in Serbia is a key challenge for the transformation ahead. In line with the concept, the Green Economy policies should be designed to reflect long-term social, economic and environmental public interests, with an emphasis on the SMEs development, reduction of poverty and employment growth. (Radovic-Markovic, 2014.). In other words, the Green Economy policy can be supported by clear processes for integrating environmental, social, and economic goals, along with national strategies for implementing goals across responsibility areas.

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## NEWS

### EUROPEAN COMMISSION - PRESS RELEASE

#### CIRCULAR ECONOMY:

#### COMMISSION DELIVERS ON ITS PROMISES, OFFERS GUIDANCE ON RECOVERY OF ENERGY FROM WASTE AND WORKS WITH EIB TO BOOST INVESTMENT

Brussels, 26 January 2017

One year after adopting its Circular Economy Package, the Commission reports on the delivery and progress of key initiatives of its 2015 Action Plan. Together with the report, the Commission also:

- took further measures today by establishing a Circular Economy Finance Support Platform with the European Investment Bank (EIB) bringing together investors and innovators
- issued guidance to Member States on converting waste to energy
- proposed a targeted improvement of legislation on certain hazardous substances in electrical and electronic equipment.

First Vice-President *Frans Timmermans*, responsible for sustainable development, said: *"Building a circular economy for Europe is a key priority for this Commission. We have made good progress and are planning new initiatives in 2017. We are closing the loop of design, production, consumption, and waste management, thereby creating a green, circular and competitive Europe."*

Vice-President *Jyrki Katainen*, responsible for jobs, growth, investment and competitiveness, said: *"Building on the achievements of the Juncker Investment Plan, I am pleased that we can again work with the EIB to match investors with innovators. Our goal is to upscale investment, both public and private, in the circular economy. It very often means new business model and they may require new, innovative ways of financing. This new Platform is an excellent tool to raise awareness of the circular economy projects' immense business potential and, consequently, draw in more funding for their financing. The Circular Economy is an important element to modernise the European economy and we are on track to deliver this sustainable change."*

EIB Vice President *Jonathan Taylor*, responsible for financing environment, climate action and circular economy, said: *"The EIB is pleased to join forces with the European Commission and use our combined financial firepower and expertise to make our economies more circular. As the world's largest multilateral climate action lender with over EUR 19 billion of dedicated financing last year, we see the circular economy as key to reversing the course of climate change, making more sustainable use of our planet's scarce resources, and contributing to Europe's growth. To accelerate this transition, we will continue to advise and invest increasingly in innovative circular business models and new technologies as well as in more traditional resource efficiency projects. The new Circular Economy Finance Support Platform will be an essential tool to boost awareness and financing of circular economy projects."*

Building on the momentum of the Investment Plan for Europe, which has already mobilised investments worth EUR 164 billion by end-2016. The **Circular Economy Finance Support Platform** will enhance the link between existing instruments, such as the European Fund for Strategic Investments (EFSI) and the InnovFin - EU Finance for Innovators initiative backed by Horizon 2020, and potentially develop new financial instruments for circular economy projects. The Platform will bring together the Commission, the EIB, National Promotional Banks, institutional investors and other stakeholders, raising awareness of circular economy investment opportunities and promoting best practices amongst potential

promoters, analysing projects and their financial needs, and providing advice on structuring and bankability.

Today's **Commission Communication on the role of waste-to-energy** processes in the circular economy will maximise the benefits of this small but innovative part of the national energy mix. It provides guidance for Member States to achieve the right balance of waste-to-energy capacity, highlighting the role of the waste hierarchy which ranks waste management options according to their sustainability and gives top priority to preventing and recycling of waste. It helps optimising their contribution to the Energy Union and exploiting the opportunities for cross-border partnerships where this is appropriate and in line with our environmental goals.

The package adopted by the Commission today also contains a proposal to **update legislation to restrict the use of certain hazardous substances in electrical and electronic equipment** (RoHS Directive). The proposal promotes substitution of hazardous materials to make the recycling of components more profitable. The proposed changes will further facilitate second-hand market operations (e.g. reselling) and repair of electrical and electronic equipment. It is estimated that the measures will prevent more than 3000 tonnes of hazardous waste per year in the EU, and enable savings of energy and raw materials. In the health sector alone, an estimated EUR 170 million in healthcare costs could be saved.

Finally, in its report on progress since last year, the Commission lists the key measures taken in areas such as waste, ecodesign, food waste, organic fertilisers, guarantees for consumer goods, and innovation and investment. Circular economy principles have been gradually integrated in industrial best practices, green public procurement, the use of cohesion policy funds, and through new initiatives in the construction and water sectors. To make the transition to the circular economy happen on the ground, the Commission also calls on the European Parliament and Council to progress with the adoption of the waste legislation proposals, in line with the [Joint Declaration on the EU's legislative priorities for 2017](#). In the coming year, the Commission is committed to deliver further on the Circular Economy Action Plan, i.a. with a strategy on plastics, a monitoring framework for the circular economy and a proposal for promoting water re-use,

## **Background**

The European Commission adopted an ambitious Circular Economy Package on 2 December 2015. The Package consists of an EU Action Plan with measures covering the whole product life cycle: from design, sourcing, production and consumption to waste management and the market for secondary raw materials.

The transition towards a more circular economy brings great opportunities for Europe and its citizens. It is an important part of our efforts to modernise and transform the European economy, shifting it towards a more sustainable direction. There is a strong business case behind it which enables companies to make substantial economic gains and become more competitive. It delivers important energy savings and environmental benefits. It creates local jobs and opportunities for social integration. It is closely interlinked with key EU priorities on jobs and growth, investments, the social agenda and industrial innovation.

To showcase the key deliverables achieved so far and to debate future deliverables with stakeholders, the Commission and the European Economic and Social Committee are organising a **Circular Economy Conference** on **9-10 March 2017**. On this occasion the **European Circular Economy Stakeholder Platform** will be announced.

## EIF AND UNICREDIT AGREEMENT TO PROVIDE EUR 160 MILLION FOR INNOVATIVE SMEs

Press Release: #InvestEU

18 January 2017

File: [https://ec.europa.eu/commission/2014-2019/katainen/announcements/investeu-eif-and-unicredit-agreement-provide-eur-160-million-innovative-smes\\_en](https://ec.europa.eu/commission/2014-2019/katainen/announcements/investeu-eif-and-unicredit-agreement-provide-eur-160-million-innovative-smes_en)

The European Investment Fund (EIF) and UniCredit have signed an InnovFin SME guarantee agreement to enhance access to finance for innovative small and medium-sized enterprises (SMEs) and mid-caps in eight countries. This transaction benefits from the support of Horizon 2020, the EU's Framework Programme for Research and Innovation, and the European Fund for Strategic Investments (EFSI), the heart of the Investment Plan for Europe.

This agreement will allow UniCredit, via its banks, to offer additional financing worth EUR 160 million to innovative companies in Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Slovakia, Hungary, Romania and Serbia.

The banks in Bosnia and Herzegovina and in Serbia will benefit from the support of a guarantee provided by EIF and backed under Horizon 2020, the EU's Research and Innovation programme, while the guarantee agreements with the banks in Bulgaria, Croatia, Czech Republic, Slovakia, Hungary and Romania will be backed by the Investment Plan for Europe.

European Commission Vice-President **Jyrki Katainen**, responsible for Jobs, Growth, Investment and Competitiveness, said: *“This agreement is excellent news for innovative small companies across these eight countries. The additional EUR 160 million in financing that will be made available from this agreement demonstrates that the Investment Plan is playing a crucial role in achieving the Commission's objective of providing the support that will allow SMEs to create jobs, innovate and grow.”*

EIF Chief Executive **Pier Luigi Gilibert** added: *“This umbrella SME guarantee agreement will be instrumental in helping countries in the Western Balkans and Eastern European regions to foster innovation and entrepreneurship. I am confident that UniCredit's network of banks in these eight countries will target high-growth potential companies, which will be able to translate the additional financing received into growth and job creation.”*

**Carlo Vivaldi**, Head of CEE Division of UniCredit, said: *“We are strongly committed in supporting SMEs companies in Central and Eastern Europe (CEE). Thanks to the new umbrella facility and our extensive network we can further facilitate the development of innovative SMEs across different countries where our clients will have easier access to finance and will benefit of better pricing.”*

The transaction reflects the EU's commitment to rapidly launch concrete initiatives aiming at accelerating lending and guarantee transactions capable of boosting jobs and growth in the EU.

### About EIF

The European Investment Fund (EIF) is part of the European Investment Bank Group. Its central mission is to support Europe's micro, small and medium-sized businesses (SMEs) by helping them to access finance. EIF designs and develops venture and growth capital, guarantees and microfinance instruments which specifically target this market segment. In this role, EIF fosters EU objectives in support of innovation, research and development, entrepreneurship, growth, and employment.

### **About UniCredit**

UniCredit is a strong Pan-European Group with a simple commercial banking model and a fully plugged in Corporate & Investment Bank, delivering its unique Western, Central and Eastern European network to its extensive 25 million strong client franchise. UniCredit offers local expertise as well as international reach and accompanies and supports its clients globally, providing clients with unparalleled access to leading banks in its 14 core markets as well as an another 19 countries worldwide. UniCredit European banking network includes of Italy, Germany, Austria, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Hungary, Romania, Russia, Slovakia, Slovenia, Serbia, Turkey.

### **About the Investment Plan for Europe**

The Investment Plan focuses on strengthening European investments to create jobs and growth. It does so by making smarter use of new and existing financial resources, removing obstacles to investment, providing visibility and technical assistance to investment projects. The Investment Plan is already showing results. The projects and agreements approved for financing under EFSI so far are expected to mobilise over EUR 164 billion in total investments across 28 Member States and to support more than 388 000 SMEs. On 14 September 2016, the European Commission proposed extending EFSI by increasing its firepower and duration as well as reinforcing its strengths.

### **About InnovFin**

The InnovFin SME Guarantee Facility is established under the “EU InnovFin Finance for Innovators” initiative backed by Horizon 2020. It provides guarantees and counter-guarantees on debt financing of between EUR 25 000 and EUR 7.5 million in order to improve access to loan finance for innovative small and medium-sized enterprises and small mid-caps (up to 499 employees). The facility is managed by EIF, and is rolled out through financial intermediaries – banks and other financial institutions – in EU Member States and Associated Countries. Under this facility, financial intermediaries are guaranteed by EIF against a proportion of their losses incurred on the debt financing covered under the facility.

For further information please contact the **European Commission:** Enda McNamara  
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## INSTITUTIONAL PROFILE

### FACULTY OF EUROPEAN STUDIES Babes-Bolyai University of Cluj-Napoca



The Faculty of European Studies began its activity in the 1993-1994 academic year as the School for Advanced Comparative European Studies. In May 1995 the Faculty of European Studies became the official name of the institution.

The Faculty of European Studies is an academic structure within Babes-Bolyai University of Cluj-Napoca. The Faculty of European Studies offers an undergraduate degree in International Relations and European Studies in the field of International Relations and European Studies in Romanian, German and English; Management in the field of Management in Romanian; American Studies in the field of Cultural Studies in English; and European Administration in the field of Administrative Sciences in Romanian.

The curricula for these specialisations is made compatible internationally, the Faculty of European Studies being part of a European consortium that includes l'Université Libre de Bruxelles, Otto-von-Guericke-Universität Magdeburg, Milan Università Cattolica del Sacro Cuore, Università degli Studi Milan, Utrecht University, Università degli Studi di Pisa and Sussex European Institute.

Under the auspices of international recognition with the prestigious Otto-von-Guericke-Universität Magdeburg, Germany and Università degli Studi di Padova - Padua, Italy, the faculty has agreements for double degree undergraduate level, in which years one and three of studies are completed in Romania and the second year of study is completed in Germany, students obtaining an undergraduate degree in European studies. Meanwhile, Babeş-Bolyai University offers an undergraduate degree in the International Relations and European Studies specialisation.

On the occasion of the Stability Pact and with the support of the Conference of German Rectors, the Faculty of European Studies organized in November 2000 a conference dedicated to European studies, which initiated the institutionalization of this new field of academic life and research in the area of Central and Eastern Europe by organizing, initially, a network of European studies and ensuring the development of a database for higher education and national and regional institutional structures.

The educational offer of the Faculty of European Studies includes, besides undergraduate degrees, a wide range of master's and doctoral specialisations.

Master's degree in European Business and Software Management, Excellence Master's programme of UBB which aims at training and developing skills and competence in European affairs, projects in inter-regional/EU public/private partnerships, and generating appropriate solutions in project implementation.

Comparative European Political Studies master's programme is conducted under a double degree agreement with Université Marne-la-Vallee and Université Paris-Est Creteil. It is also important to stress the academic and logistical support of US universities for the Transatlantic Studies master's degree. The German Studies master's programme is structured in the same international approach, supported by prestigious universities in Germany. The master's programmes are supported by the European Research Institute.

Evaluation of Regional Development is the first master's programme in Romania designed and implemented through the cooperation of several faculties to establish a curriculum that is directly connected to the socio-economic issues of Romania, with a specific approach for regional development in our country at a time when sustainable human development and equity must be stimulated.

Performance Management master's programme aims at training specialists with manager skills for companies on the Romanian and European Union market.

In addition, since the 2012-2013 academic year we opened other master's programmes in the field of International Relations and European Studies in English: Transatlantic Studies master's programme and Cultural Diplomacy and International Economics and Cultural Diplomacy and International Relations master's programmes - offered with priority to international students.

European and International Business Negotiation master's programme is the most recent programme at this level; it opened in 2015 and is already enjoying national audience.

Comparative European Political Studies master's programme: The well-deserved international reputation that Germany and Eastern Europe enjoy will be developed through a broad partnership, together with joint programmes with the universities of Strasbourg and Magdeburg.

The International Relations and European Studies specialisation received accreditation in 2001, was re-accredited in 2014 and the European Institutions Management specialisation received accreditation in 2004 - was renamed Management and re-accredited in 2014.

The American Studies specialisation, proposed in 2004, was re-accredited in 2014. The newest undergraduate specialisation, European Administration, received accreditation in 2007 and was re-accredited in 2013. The International Relations and European Studies specialisation in English is re-accredited in 2016.

The undergraduate and master's study programmes focus on training future specialists in European studies, international relations, German studies, American studies and European business relations. They learn the transdisciplinary techniques, strategies and approaches, both from a theoretical and methodological point of view, and also empirical practice, intra-community communication, expertise in projects and management of the flow of information between Romanian and European institutions.

Since the 2016-2017 academic year, the European paradigm doctoral school is part of the international joint doctoral programme PRIDE, conducted by the University of Luxembourg. Doctoral topics in the area of identities, diaspora and its contribution to the integration process, confiscated memory - restored memory in the area of factual European studies - institutions, development, etc. - in the area of international relations, etc. have strengthened the identity of our doctoral school with double PhD degrees partnerships and cooperation with universities in Strasbourg, Padua and Brussels, universities in Israel and the Institute for Cultural Diplomacy in Berlin.

The Faculty of European Studies includes a Centre for European Information and Documentation in the EUROPE-DIRECT network, a Jean Monnet Chair (2004-2007), a Jean Monnet Centre of Excellence (2007-2012) and two Jean Monnet ad personam chairs. The Faculty of European Studies is integrated into the European research and information networks.

The faculty has organized several community research and expertise laboratories in the field of international and European negotiations, regional policies, institutional reform and EU administration in post-Lisbon terms, International Relations (CITADEL).

In recognition of the Europeanist school of Cluj in the 2012-2013 academic year, the European Commission has supported, in the framework of the Jean Monnet Action, the organization of the Disintegration and Integration in East-Central Europe international conference in Cluj-Napoca, with the main theme revolving around the issue of EU integration of Central and Eastern Europe. The Faculty of European Studies together with the Group of Historians of European Integration of the European Commission undertook this scientific event, the first edition (20 to 23 February 2013) being also a recognition of the 20 years of higher education in the field of European studies at the University of Cluj. The series of international conferences of the Faculty of European Studies - organized jointly with the prestigious forum of integration historians - continued in 2014 and 2015; the last edition took place in Berlin, in partnership with the University of Strasbourg and the Institute for Cultural Diplomacy in Berlin in April 2016.

In 2015 our faculty organized the 13th edition of the European Culture International Congress dedicated to the European culture and civilization, a major event attended by over 200 specialists from around the world.

The Faculty of European Studies provides interdisciplinary teaching and research programmes on complex issues related to the concept of Europe. Addressing continental realities from a political, economic and legal perspective, we train specialists able to understand in depth and to offer practical, concrete and realistic solutions to the issues raised by Romania's European integration.

## NEW COMING EVENTS AND CALL FOR PAPER

### CALL FOR PAPERS JEMI

#### **Social entrepreneurship *organizations* and social innovation: antecedents, processes, impact across cultures and contexts**

##### **Guest Editors:**

Agnieszka Brzozowska, University of Warsaw

Marzena Starnawska, Gdańsk University of Technology

Social entrepreneurship and social innovation as phenomena have been manifested in many forms in a variety of cultural and institutional contexts all over the world. The research in social entrepreneurship both combining social and economic aims, has been subject to an increased academic discourse for the last 25 years, but still dominated by definitional debate. Yet, it has been mainly associated as a positive phenomenon (Dey, 2006). A great variety and definitional challenge is also visible in social innovation field of practice and research (Caulier-Grice et al. 2013). The field of practice has gone much further beyond theory. In case of the latter there has been limited contribution in universal or unified theory due to diversified institutional and historical trajectories, and associated social, cultural and economic differences in respective geographical settings (Starnawska, 2016). All of the above is manifested in the diversity of different social entrepreneurship and innovation models and organizations. The three main schools of thought on social entrepreneurship and social enterprise have emerged so far (Dees and Anderson, 2007): „social innovation” , „earned income” and EMES approach (Defourny and Nyssens, 2012). However, there is an inherent lack of integrated conceptual framework, serving as a springboard for further field development.

Thus, we are interested to explain and predict social entrepreneurship and social innovation as phenomena, identify their antecedents and outcomes, but also look into the box of social entrepreneurship management processes.

Majority of existing research on social entrepreneurship is situated in a functionalist paradigm (Lehner and Kansikas 2013). We invite both conceptual and empirical papers, and welcome research contributions employing quantitative, qualitative, mixed research methods, set not only in functionalist but also, interpretivist, and radical paradigms (Burrell and Morgan, 1979).

Potential authors, researchers as well as practitioners are invited to contribute to this issue of JEMI. We invite both research and conceptual papers that provide more insights and recent theoretical developments on social entrepreneurship research agenda.

##### **Proposed research topics, among many others, may fit within:**

- definitional debates across various cultures and contexts: social enterprise, social entrepreneurship, social innovation,
- social entrepreneurship and social innovation models and organizations across cultures and contexts,
- management and governance in social entrepreneurship organizations,
- recognizing institutional, cultural antecedents for social entrepreneurship and social innovation,
- impact and outcomes of social entrepreneurship and social innovation,
- critical approaches - social entrepreneurship and social innovation as an idealized concept,
- social entrepreneurship and social innovation research methodology.



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**Submission guidelines:**

Submission deadline: 30th April, 2017 Papers reviewed: 30th May, 2017 Revised papers reviewed and accepted: 30th July, 2017 Final versions of accepted papers delivered: 30th August, 2017 Papers published: 30th September, 2017

**Paper submission**

Papers should be submitted before the end of **30th April, 2017** to JEMI via our Manuscript Center. Submissions must be in English, normally no more than 15 pages in length (up to 8,000 words). Authors are requested to follow submission requirements posted on the JEMI website at <http://jemi.edu.pl/pl/submission.html>. Notifications of acceptance or rejection will be sent to authors within less than two months.

**9<sup>TH</sup> INTERNATIONAL CONFERENCE ON APPLIED ECONOMICS**  
**CONTEMPORARY ISSUES IN ECONOMY**  
**Toruń, Poland 22-23 June 2017**

We are **Contemporary Issues in Economy** which is hosted by Department of Economics at Nicolaus Copernicus University in Toruń in Poland (June 22-23, 2017). The conference is organized in collaboration with Polish Economic Society, Institute of Economic Research (Poland), Brno University of Technology (Czech Republic), Eastern Macedonia and Thrace Institute of Technology (Greece), Hungarian Academy of Sciences, Centre for Economic and Regional Studies, Institute of World Economics (Hungary), Kaunas University of Technology (Lithuania), Pablo de Olavide University (Spain), University of Economics in Bratislava (Slovakia).

European Regional Science Association, Polish Section and Slovak Society for Operations Research are international scientific institutional partners of the conference.

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The detailed information on publication opportunities and conference participation tracks (submissions of short papers for Proceedings and long papers for journals) is available at the conference web-site at <http://contemporary-issues.pl/index.php/pl/> and Call for Paper at [http://contemporary-issues.pl/images/Materialy/call\\_for\\_papers.pdf](http://contemporary-issues.pl/images/Materialy/call_for_papers.pdf)

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## BOOKS

### **ENTREPRENEURSHIP IN EMERGING ECONOMIES ENHANCING ITS CONTRIBUTION TO SOCIO-ECONOMIC DEVELOPMENT**

**Jerzy Cieřlik**

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Year of publication: 2017

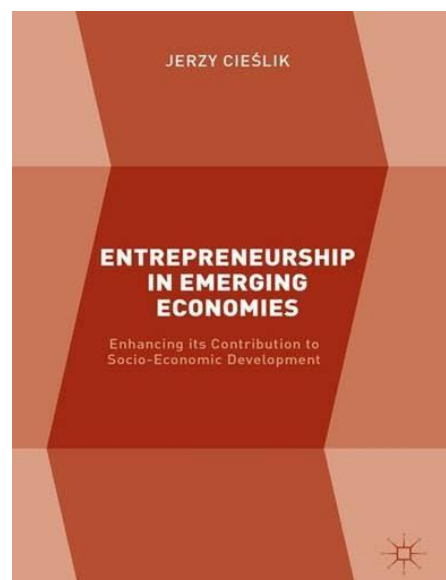
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In this book the author investigates the role of entrepreneurship in the socio-economic development of emerging economies, highlighting its vital part in implementing development programs and policy initiatives. In search of efficient ways to stimulate entrepreneurial activities, *Entrepreneurship in Emerging Economies* reviews recent academic research and accumulated policy implementation experiences to identify measures and instruments which can be adopted within emerging countries' institutional context. Particular attention is given to three issues which have dominated the debate on the macroeconomic impact of entrepreneurship at the turn of the twenty-first century: job creation, innovation, and international trade and economic cooperation. In the final chapter the author offers a holistic model of entrepreneurship policy to address the particular needs of emerging economies, encompassing entrepreneurship policy, favorable institutional environments and pragmatic principles for implementing selective policy measures.

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7. Entrepreneurship Policy: Towards an Integrated Framework

#### **About the Author**

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